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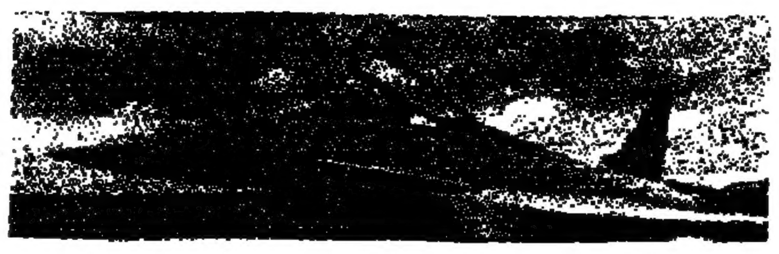

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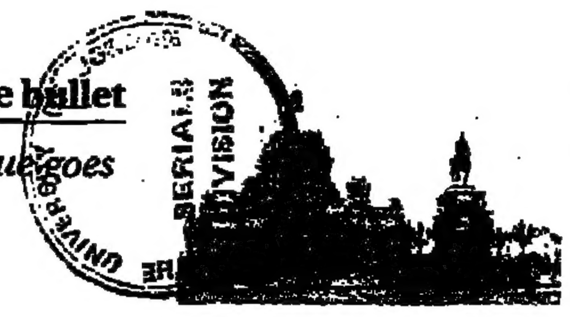

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# FINANCIAL TIMES

Europe's Business Newspaper — WEDNESDAY DECEMBER 16 1992 — D8523A


## US and Europe share $4.1bn aircraft orders

The civil aircraft industry received a boost with orders worth $4.1bn for US Boeing and European Airbus airliners from Californian aircraft leasing company International Lease Finance Corporation. Boeing secured orders for 53 airliners and Airbus, 28. Airbus also won the first firm commitment from ILFC for the 125-seat A319 jet it hopes to launch late next year. Page 14

**Channel tunnel row:** Transmanche Link, the group of contractors building the Channel tunnel, said Eurotunnel's offer of a £1.2bn ($1.8bn) final payment was unacceptable and implied further delays in completing the project were possible. Page 14

**Kidnappers kill Israeli guard:** Troops found the bound body of an Israeli border policeman beside a road in the occupied West Bank two days after Moslem guerrillas kidnapped him in a bid to free their imprisoned leader, Sheikh Ahmed Yassin. Page 4

**Dutch foreign minister for Brussels**

Hans van den Broek (left), Dutch foreign minister for 10 years, is to join the European Commission at the beginning of next year. He replaces fellow Dutchman Frans Andriessen, who has been responsible for the EC's external affairs and trade. Page 3

**India acts against Hindu states:** India's federal government dismissed three pro-Hindu state governments and put the states under direct rule following vicious communal riots sparked by the razing of the mosque in the holy city of Ayodhya. Page 4

**Hungarian stake for Alitalia:** Italian state airline Alitalia bought a 30 per cent share in Malev, the Hungarian national carrier. Page 15

**UN to exhume Croat bodies:** A United Nations team is to excavate mass graves near Vukovar in eastern Croatia where some 300 civilians and Croat soldiers are feared buried after being executed by Serb forces which seized the town in November last year. Page 3; Call for UN to enforce Bosnia no-fly zone, Page 14

**Insurers seek help:** French insurers, who are estimated to have a combined property investment portfolio worth FFr300bn ($57bn), are calling on the government for tax breaks to help them through the property crisis. Page 15

**Clinton seeks strong dollar:** The Clinton administration's strategy for improving long-term economic performance in the US is likely to centre on a strong dollar and a relatively conservative fiscal policy. Page 6

**Petrofina rebuffed:** The Saudi government is reluctant to sanction plans by Belgian oil company Petrofina to sell half its US refining and marketing assets to Saudi Arabian investors for $500m. Page 20

**Troops reach Baidoa:** US forces took up positions round Baidoa, in the middle of Somalia's starvation zone, as US special envoy Robert Oakley arrived for talks with local clan-faction leaders and aid workers. Page 4; Forces close in, Page 14

**Honecker trial in doubt:** The Berlin manslaughter trial of Erich Honecker, 80, looked close to collapse after a court doctor confirmed the former East German leader may die of liver cancer within three to six months.

**Black seeks more of Fairfax:** Conrad Black's attempt to raise his UK Daily Telegraph group's stake in Australia's Fairfax newspaper group from 14.33 per cent to 25 per cent is likely to fall foul of the Australian government. Page 18

**Gerber shares plunge:** US babyfood maker Gerber Products lowered earnings estimates because of "unprecedented competitive activity". The company's share price plunged $4⅞ to $30¼ before the close in New York. Page 17

**Titanic relics offered for a price:** The French government is to offer 1,800 objects salvaged from the Titanic, which sank 80 years ago after hitting a iceberg off Newfoundland, to the passengers' families, provided they agree to help fund the salvage operation.

**Underwater parking:** A businessman has offered to solve Amsterdam's traffic problems by building car parks beneath the city's canals.

**STOCK MARKET INDICES**

| | | |
|---|---|---|
| FT-SE 100: | 2,717.9 | (-3.9) |
| Yield | 4.58 | |
| FT-SE Eurotrack 100 | 1,038.14 | (-3.04) |
| FT-A All-Share | 1,295.90 | (+0%) |
| Nikkei | 17,400.74 | (+190.77) |
| New York: lunchtime | | |
| Dow Jones Ind Ave | 3,288.41 | (-3.79) |
| S&P Composite | 432.62 | (-0.22) |

**US LUNCHTIME RATES**

| | |
|---|---|
| Federal Funds: | 3¼% |
| 3-mo Treas Bills: Yld | 3.271% |
| Long Bond | 101 31/32 |
| Yield | 7.459% |

**LONDON MONEY**

| | | |
|---|---|---|
| 3-mo Interbank | 7¼% | (7¼%) |
| Liffe long gilt future: | Dec 100¼ | (Dec100 31/32) |

**NORTH SEA OIL (Argus)**

| | | |
|---|---|---|
| Brent 15-day (Feb) | $17.95 | (18.025) |

**Gold**

| | | |
|---|---|---|
| New York Comex (Dec) | $334.5 | (334.6) |
| London | $335.05 | (same) |

**STERLING**

| | | |
|---|---|---|
| New York lunchtime: | | |
| $ | 1.5868 | |
| London: | | |
| $ | 1.588 | (1.585) |
| DM | 2.4575 | (2.4525) |
| FFr | 8.4 | (8.3675) |
| SFr | 2.21 | (2.2025) |
| Y | 194.5 | (193.5) |
| £ Index | 80.4 | (80.3) |

**DOLLAR**

| | | |
|---|---|---|
| New York lunchtime: | | |
| DM | 1.56825 | |
| FFr | 5.3595 | |
| SFr | 1.4115 | |
| Y | 124.05 | |
| London: | | |
| DM | 1.567 | (1.568) |
| FFr | 5.3575 | (5.3475) |
| SFr | 1.4095 | (1.408) |
| Y | 124.85 | (123.65) |
| $ Index | 65.8 | (same) |

Tokyo close Y 123.83

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Austria | Sch30 | Greece | Dr250 | Lux | LFr60 | Qatar | QR12.00 |
| Bahrain | Din1.250 | Hungary | Ft162 | Malta | Lm0.50 | S.Arabia | SR11 |
| Belgium | BFr60 | Iceland | IKr180 | Morocco | MDh13 | Singapore | S$4.10 |
| Bulgaria | Lv25 | India | Rs20 | Neth | Fl 3.50 | Spain | Pta200 |
| Cyprus | C£1.00 | Indonesia | Rp3800 | Nigeria | Naira20 | Sweden | SKr14 |
| Czech | Kcs35 | Israel | Shk5.50 | Norway | NKr15.00 | Switz | SFr3.00 |
| Denmark | DKr14 | Italy | L2500 | Oman | OR1.50 | Syria | SyP50.00 |
| Egypt | E£4.50 | Jordan | JD1.50 | Pakistan | Rs35 | Thailand | Bht60 |
| Finland | FM12 | Korea | Won 2500 | Philippines | Peo45 | Tunisia | Din1.250 |
| France | FFr8.50 | Kuwait | Fils.600 | Poland | Zl 22,000 | Turkey | L6000 |
| Germany | DM3.30 | Lebanon | US$1.25 | Portugal | Es190 | UAE | Dh10.00 |

■ Threat to dividend ■ $6bn charge ■ Forced redundancies possible

# IBM to slash jobs and capacity

By Martin Dickson in New York

INTERNATIONAL Business Machines, reeling from a global economic slowdown and a rapidly changing computer market, yesterday announced plans to cut its worldwide workforce by 25,000, or 8 per cent, next year and sharply reduce its manufacturing capacity. It will take a $6bn fourth quarter charge to cover the costs.

The news sent IBM shares plunging; at lunchtime in New York, they were $5⅝ lower at $57¼, the lowest price in more than a decade.

In a sign of the severity of the crisis facing the world's largest computer company, IBM said two of its treasured traditions – maintenance of annual dividend and a policy of no forced redundancies – were no longer safe.

Mr John Akers, chairman, said that while cash flow remained strong, "current earnings expectations make the company unsure of its ability to maintain the dividend at current levels".

While IBM would try to achieve job cuts voluntarily, Mr Akers said if business conditions did not improve significantly it was "likely that some business units will be unable to maintain full employment in 1993".

IBM declined to spell out precisely where job cuts would fall. Since 1986, IBM has already cut its workforce by about 100,000 to some 300,000.

The extent to which the restructuring will affect IBM Europe was unclear last night. Individual countries are being left to make their own provisions and many divisions and units had yet to learn the details of the cuts. IBM Germany, however, said that next year it would cut rather more than the 2,000 jobs that went in 1993.


■ BP to shed more jobs Page 15
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■ World stockmarkets Page 40


Worldwide, the company is to cut its development spending by about $1bn, or roughly one sixth, in 1993, reduce capital spending, and cut its sales, general and administrative expenses by $1bn.

IBM added that its fourth quarter operating results were only likely to be around break-even – well below Wall Street forecasts – because of the unexpected depth of the business downturn, particularly in Europe, prolonged worldwide economic weakness, and market pressures to cut hardware prices. It warned that it expected the unfavourable conditions to continue into 1993.

This is latest in a long series of restructurings by IBM since the late 1980s as it has struggled with the global economic slowdown, which began in the US and the extremely rapid pace of change in the computer industry.

IBM, which has always dominated the market for large, mainframe computers, has suffered from the shift of demand to smaller, desktop models.

Earlier this year, in an attempt to make itself more responsive, the company replaced its centralised structure with a loose-knit network of 13 businesses.

IBM said yesterday it would increase the autonomy of three of these businesses – Adstar, which makes storage devices, Pennat Systems, which makes printers, and its personal computer operations – to manage them as "essentially self-sufficient companies". In time it expected to consider "alternative forms of ownership" for them.

The latest round of cuts comes on top of $5.4bn of special pre-tax charges so far this year to cover plant closures and 40,000 job cuts. The total charge of $11.4bn is larger than the 1991 revenues of all but three other computer manufacturers – Fujitsu, Digital Equipment and NEC.

Mr Akers said trading conditions had deteriorated more precipitously than expected. There had been a particularly sharp decline in Europe, while results at IBM Japan were also under pressure and the North American outlook had not improved.

IBM said its personal computer business was seeing strong sales growth and was moving towards profitability in 1993, but the mainframe business had suffered a 10 per cent fall in revenues

# Russian chiefs try to reassure on reforms

By John Lloyd, Quentin Peel and Leyla Boulton in Moscow

MR BORIS YELTSIN, the Russian president, and Mr Viktor Chernomyrdin, his new prime minister, strove to reassure the western world yesterday that the country's economic and democratic reforms remained on course.

Mr Chernomyrdin also made clear, however, that he would put industry's needs at the top of his agenda and that he would continue controls on energy prices.

Mr Yeltsin, in talks with Chancellor Helmut Kohl of Germany who is visiting Moscow with a government team, claimed that he had succeeded in protecting the reform process in the past two weeks of stormy conflict with the Congress of People's Deputies.

Mr Yeltsin said: "Of course both congress and the president were obliged to make certain compromises, but in politics that is an ordinary occurrence."

Mr Yegor Gaidar, the former acting prime minister, who yesterday disappeared from public view after his comment that he was going to catch up on some sleep, told ministers they should stay in place if they believed further reform was possible.

German officials said Mr Chernomyrdin appeared determined to reassure Mr Theo Waigel, the finance minister who heads the German team discussing Russian and former-Soviet debt issues, about his role in the reform process.

"I was a member of the government not merely as a supporter but as an active participant in working out the [reform] programme. I can confirm I will carry on this course," he was quoted as saying.

Two of his six fellow ministers at the talks were Mr Alexander Shokhin, deputy prime minister in charge of foreign economic relations, and Mr Andrei Nechayev, economics minister – friends and colleagues of Mr Gaidar. "I am convinced they are all of the same opinion," Mr Chernomyrdin said of the ministers.

Talks on a debt rescheduling package with the Paris Club of creditor governments would go ahead in Paris this week, he said, with Mr Shokhin leading the Russian side.

Later, at a press conference, he said: "I gave you no reason to claim that the course of reforms will be changed". However, although he refused to specify his policies, the tenor of his remarks differed greatly from that of Mr Gaidar.


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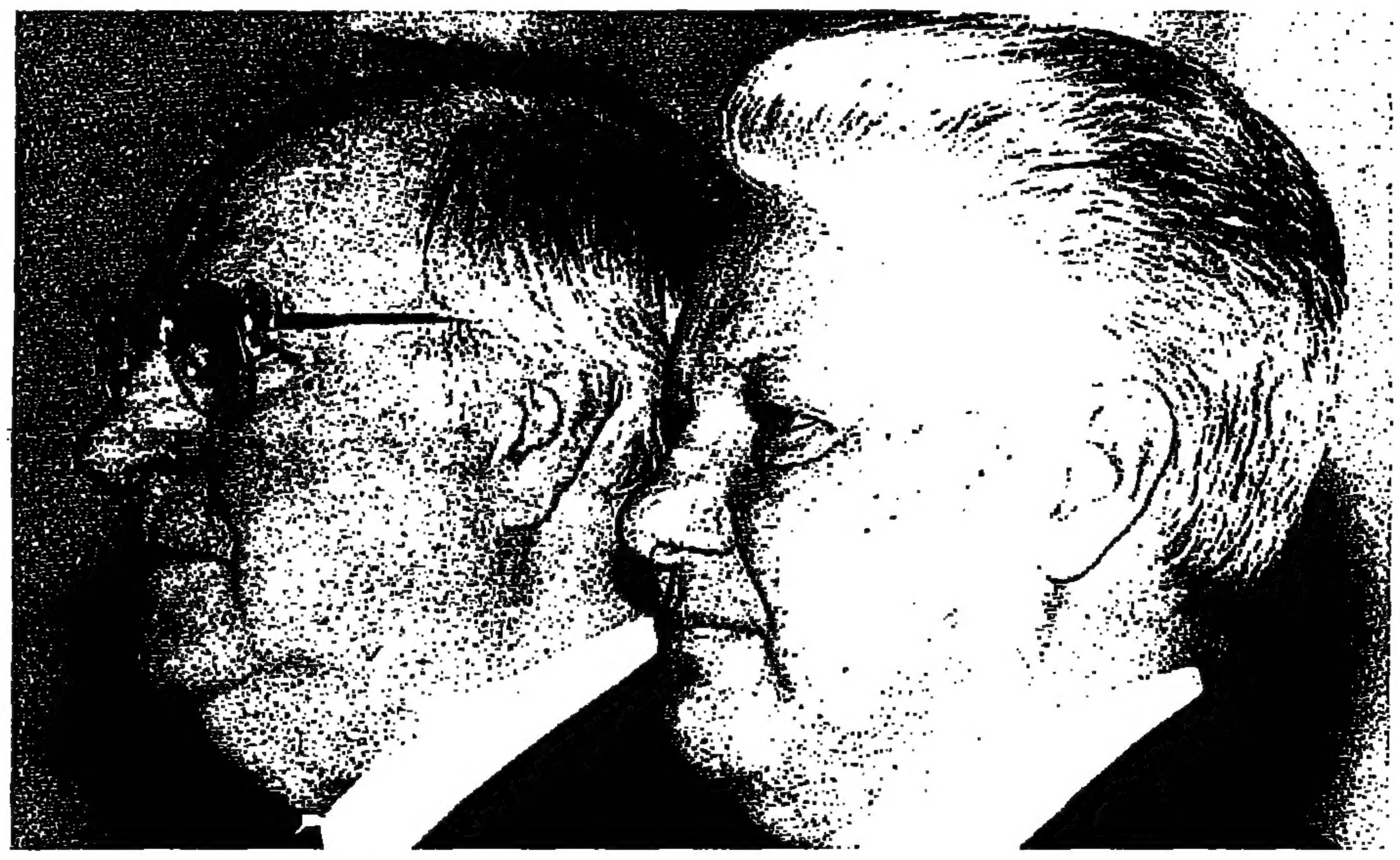
Future of reform, Page 2

German Chancellor Helmut Kohl (left), on his first visit to Moscow since the collapse of the Soviet Union, with Boris Yeltsin

# Craxi faces corruption probe

By Robert Graham in Rome

MR BETTINO CRAXI, leader of Italy's Socialist party and a former prime minister, was yesterday informed that he was under investigation by Milan magistrates, making him the most prominent figure to be caught up in their widening net of corruption inquiries.

The magistrates served notice on Mr Craxi that he was being investigated for alleged corruption and illegal financing of the Socialist party. Mr Craxi issued a statement declaring his innocence and saying the move was designed to discredit him and his party.

It is the first time in Italy's post-war history that the leader of a main political party has been so directly linked to charges of alleged corruption. Mr Craxi has been Socialist leader for 16 years and was prime minister from 1983-87.

Mr Craxi made clear he would not voluntarily step down as leader of the Socialist party, already weakened by poor election results and the corruption scandal.

In recent weeks there have been rumours that Milan magistrates, who since February have arrested and charged more than 70 local and national politicians with alleged corruption, were about to turn their attentions to Mr Craxi. They were reportedly waiting until after last weekend's elections in 55 municipalities throughout Italy.

Milan is the centre of Mr Craxi's power base and Mr Paolo Pillitieri, his brother-in-law, a former mayor of the city and Socialist deputy, has already been charged with alleged corruption.

The magistrates' move is a major blow to an already discredited party which saw its vote at the weekend cut to 5 per cent in the key northern industrial cities of Monza and Varese.

On Friday, parliament agreed to waive the immunity of Mr Gianni de Michelis, the party's deputy leader and former foreign minister, so Venice magistrates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# Britain blocks funding for Brussels' HDTV strategy

By Lionel Barber in Brussels

BRITAIN yesterday blocked funding for a Brussels-backed strategy to market high definition television, throwing into doubt the Commission's plans to fund the technology.

Eleven member states drafted a statement reaffirming their desire to back HDTV – the advanced generation of television technology, which is expected to enhance greatly picture quality – but the British opposition to more than Ecu500m ($615m) of funding jeopardises the European Commission's long-cherished plans to support HDTV technology.

Britain's tough stand drew heavy criticism from the Dutch and French after a heated meeting of EC industry ministers in Brussels yesterday.

The Dutch and French support the five-year spending plan. Philips and Thomson, their national electronics groups, have spent millions on developing the D2-Mac and HD-Mac Technology and are seeking markets.

The row at yesterday's meeting turned into a classic EC clash between British distaste for industrial policy and a Franco-Dutch desire to support national champions. Britain offered to keep the HDTV programme alive with Ecu80m in 1993 and to review all advanced television technologies, including HDTV which the UK believes risks becoming outdated.

Dutch officials were incensed that Mr Tim Sainsbury, British industry minister who chaired the meeting, refused to drop UK opposition.

One official said: "Because 11 members are in favour, the UK should do the decent thing and abstain."

But UK officials countered that several other member states such as Denmark and Ireland were uneasy about allowing Brussels to commit large sums to HDTV, mainly because it could be overtaken by more advanced digital TV technology within five years. "We don't want to be led into a technological cul-de-sac," said a UK official.

The Commission's original plan was to spend Ecu850m over five years. Member states yesterday scaled back these plans, with bids ranging from Ecu450m to Ecu600m.

The money would go to consortia for satellite broadcasting, as well as to producers for conversion of programmes for use in high definition TV sets.

Money may also go to other widescreen TV services such as Pal Plus, and for modifying studios making programmes for broadcasting using HDTV technology.



CONTENTS





LONDON · PARIS · FRANKFURT · NEW YORK · TOKYO

# Gaidar's lost year: the agony and the legacy

By Leyla Boulton in Moscow

WHEN Mr Yegor Gaidar, the 36-year-old who launched market reforms in Russia, was made prime minister a year ago he had one primary goal: to make change irreversible through Polish-style shock therapy and sheer improvisation.

His successor as Russia's prime minister, Mr Viktor Chernomyrdin, is more ambitious: he wants to halt the fall in industrial output (20 per cent this year) and to "civilise" what Mr Gaidar bequeathed him so that Russia "has a market and not a bazaar".

He is unlikely to be able to do so, at least not in the near future. This is because of what Mr Gaidar did achieve – and what he did not. His market reforms – kick-started with price liberalisation - are, as he had hoped, irreversible. But his attempts at financial stabilisation failed.

Monthly inflation is running at 33 per cent (close to the 50 per cent at which point it is called "hyperinflation"). The budget deficit is pushing 15 per cent of gross domestic product, close to the level last year when the then Soviet Union's financial system had all but collapsed.

Thus Mr Gaidar's muddling through on financial policy could be followed by a hyperinflationary nightmare if Mr Chernomyrdin tries to stop an "impoverishment which the people do not deserve" by quickly wiping out the arrears accumulated between enterprises without tackling their causes. The only way this could be done would be by creating even more credit and handouts, without discrimination, than is already the case.

"People would be made even poorer through hyperinflation," says Ms Elena Kotova, a Russian economist and former privatisation official now with the World Bank.

She said price liberalisation was one of the factors making reform irreversible, saying the government had already lost the tools it would need to re-impose controls on prices, wages and centralised distribution of goods.

While other economists disagree, saying some price controls could be reimposed, the consensus is that Mr Gaidar's privatisation policy is the jewel in the crown of his legacy, the only guarantor that reforms may be slowed but not reversed.

**The most irritating signs of reform for Muscovites are the kiosks selling imported goods and the rich traders who race around Moscow in foreign cars.**

Although the privatisation of large-scale enterprises has only just begun, the legislation and mechanisms for its implementation are solidly in place. Enterprises have spent months preparing privatisation plans. Citizens holding vouchers entitling them to buy shares or exchange them for money cannot now be told the programme is cancelled. Many directors see their own success as being tied to taking their enterprises away from the control of the state, despite the risks. Few have asked to be taken off the list of enterprises to be sold off.

By contrast, the main shortcoming of Mr Gaidar's legacy - which has exposed him to attack from conservatives - is that structural reforms have not yet filled the vacuum created by the freeing of prices, trade, and wages.

Though shops created by the freeing of trade have helped improve supplies in more remote parts of the country, the most irritating and visible sign of change for many Muscovites is the little kiosks which sell imported liquor, cigarettes and clothes at most street corners and the rich traders who race around Moscow in expensive foreign cars.

The "bazaar" of which Mr Chernomyrdin complained can be dealt with in only two ways. So-called "wild" trade can either be shut down or nurtured through a long-term strategy proclaimed, but not started, by Mr Gaidar.

This includes the need for a tough industrial policy that will sacrifice bits of industry that are using up resources that could be put into consumer goods production and switching an overdeveloped military industry to civilian uses. All Mr Gaidar did was slash procurement for military industry, but far from disappearing, enterprises keep going, expecting – and ultimately receiving – handouts from the government and central bank.

"As long as industry is not seriously restructured, the only sector where market mechanisms come to play are in trade," said one western expert. "But this quickly turns to speculation, making profits from reselling scarce goods, rather than producing more of them."

Another aspect of Mr Gaidar's legacy is the strengthening of a small entrepreneurial class which is not only confident enough to display its wealth but to lobby and influence authorities at both local and central level.

Although the shoots of entrepreneurship are here to stay, they are fragile. Their main failure so far is that lawlessness and bureaucracy are such that they discourage ordinary people with good ideas from setting up their own businesses.

All the evidence points to only one set of sensible policies for a man with centralising instincts: a vigorous industrial strategy which allows for some enterprises and sectors to close down, coupled with action to create jobs.

Mr Chernomyrdin has the political support which Mr Gaidar lacks, but whether he will use it wisely is unclear.

# Yeltsin refuses to lose faith in reforms

## But it remains to be seen if the new PM will safeguard them, write **John Lloyd** and **Dmitri Volkov**

President Boris Yeltsin (right) with the newly-elected prime minister, Mr Viktor Chernomyrdin, in Moscow yesterday before talks with the visiting Chancellor Kohl

A PIECING together of the events of the past few days shows Russian President Boris Yeltsin made many mistakes: but one of them has not been to lose his faith in his reforms. He remains committed to it – though there are some among the foreign observers who fear he may be too sanguine in thinking Mr Viktor Chernomyrdin will safeguard them.

The Russian president had, in the two weeks of the Congress, appeared lacklustre and passive. He had made a series of compromises – in sacking Mr Mikhail Poltoranin, the information minister and a close ally before the Congress and Mr Gennady Burbulis, his closest aide, last weekend; in allowing parliament to have the right of veto over the ministers of foreign affairs, defence, interior and security; and in the direction of the reform programme itself. In spite of these concessions, the deputies refused to vote for Mr Yegor Gaidar, his choice as prime minister, last Wednesday – though by only 18 votes.

Mr Yeltsin's sudden announcement last Thursday that he would hold a referendum of "trust" between himself and the Congress, should have been the beginning of a populist presidential campaign, Yeltsin against the conservatives, just as it had been before he took over the governance of Russia. It did not work out so: his appeal for his supporters in the Congress to follow him was heeded by fewer than 200: pro-Yeltsin demonstrations were small. Congress kept its quorum and the next day Mr Yeltsin agreed to negotiations and compromise with Mr Ruslan Khasbulatov, the parliamentary speaker.

The compromise was to hold a referendum – but on the outlines of a new constitution, not on a straight choice between Congress and president. It also gave Congress a "soft" vote on candidates for the role of prime minister. Mr Yeltsin would choose from a short list of three and the new prime minister would be in place if Congress supported his choice. If not, the president could use special powers to nominate an acting prime minister for three months.

On Sunday and Monday, the word from presidential and government circles was that all had been settled – though it was admitted that accidents might happen.

The Gaidar team, and Mr Gaidar himself, were prepared for a new prime minister: they had decided they could work either under the direction of Mr Vladimir Shumeiko, a deputy prime minister and sturdy supporter of Mr Gaidar: or a new figure, Mr Victor Kadannikov, managing director of the AvtoVaz car plant, who is head of the new government advisory commission on industry.

On Monday afternoon, the vote was taken on five candidates of whom Mr Yeltsin approved: these were Mr Gaidar, Mr Kadannikov, Mr Chernomyrdin, Mr Shumeiko – and Mr Yuri Skokov, Mr Yeltsin's tough, and conservative, chief of staff.

The deputies knew all of the candidates except Mr Kadannikov – who arrived flustered and late to the Congress, having been summoned to Moscow only on Monday by Mr Yeltsin (he flew from Togliatti, on the Volga, in Mr Yeltsin's private aircraft).

He was thus given the floor, and made a poor impression: on the floor of Congress, fiddling with the unfamiliar sound equipment, he said: "We in Togliatti approve the reforms in general. There have been mistakes . . . but I am afraid I have no experience of government . . . I may not make a good prime minister."

The deputies then voted: Mr Skokov topped the poll, with 637; Mr Chernomyrdin was a close second, with 621; Mr Gaidar ran a poor third with 400; Mr Kadannikov came just after him, on 399; and Mr Shumeiko was decisively last, on 283.

Mr Yeltsin asked for a 40-minute break: huddled with Mr Gaidar, he asked his prime minister to resign. Mr Gaidar refused, pushing the president to make a decision. Mr Yeltsin asked him for his preference between Mr Skokov and Mr Chernomyrdin: Mr Gaidar, certain that Mr Skokov had no interest in reform, chose his cabinet colleague. Mr Yeltsin went back to the Congress, said he was still for Mr Gaidar but that Mr Gaidar himself had agreed to Mr Chernomyrdin becoming prime minister. Mr Gaidar, walking out of the Congress hall, told waiting reporters he would resign, "and not come back".

In the course of these events it has not seemed that Mr Yeltsin has had a strategy – rather that he played an *ad hoc* hand, possibly with conflicting advice. His support for Mr Gaidar appeared the consistent thread – until, at the very end, when it lay within his power to sustain him in office for a further three months, he dropped him. He was, say those close to him, weary and fractious.

It seemed he could not face another bruising battle with a Congress which would have been outraged that their first and second choices had been passed over – though both his friends and his enemies expected exactly that choice to be made.

In so acting, he at first seemed to have lost all: authority, support from the radicals and the symbol of his reform programme. The explanations of his aides – that "Mr Gaidar was, after all, unpopular and Mr Chernomyrdin is well known to the president, and trusted" seemed like a post hoc rationalisation. At the same time, however, the dust was rapidly settling in Moscow.

There were no further resignations from the cabinet and the impression gained by both the German ministers here with Chancellor Helmut Kohl for talks and from international finance officials who had talked to deputy ministers was that most if not all of the "Gaidar team" would stay.

Mr Chernomyrdin underlined, several times, that he had been an active member of the reform cabinet and that the reform course would remain.

# Moscow to seek deal for $16bn of debt

By Quentin Peel in Moscow

THE Paris Club of government creditors of the former Soviet Union is being asked this week to finalise a rescheduling agreement for more than $16bn (£10.5bn) in outstanding sovereign debts now assumed by the Russian government.

The deal, allowing for repayment over 10 years, with a five-year grace period on payments of principal, would open the way for a commercial rescheduling agreement of debts totalling more than $20bn by the so-called London Club of some 600 commercial bank creditors of the former Soviet Union.

Both deals to reschedule payments falling due in 1993 will have to be put together before any agreement has been reached by the Russian government with the International Monetary Fund on a standby credit – the normal pre-condition for such debt rescheduling.

The negotiations are also going ahead without any precise rescheduling programme of payments being proposed by the Russian government, in another clear departure from normal Paris Club rules.

Preparatory talks open in Paris today for the full Paris Club meeting on Thursday and Friday, with indications that both sides are prepared to move from their previous positions.

Much will depend on a successful outcome to the current bilateral summit in Moscow between Russia and Germany, by far the biggest creditor nation, and on reassurances by Russia that its economic reform programme will continue to be implemented in spite of the current political upheaval.

Hitherto, Russia has called for debts totalling $16.1bn to be rescheduled in the agreement, while the Paris Club creditors have offered to include just $13.6bn.

According to the Paris Club plan, debt servicing costs in 1993 would be $4.6bn, while the Russian side says it can only afford $2.5bn.

Mr Alexander Shokhin, the Russian deputy prime minister heading the debt negotiations, has said that if the Paris Club insists on its figures, total debt servicing costs for his government next year would be more than $6bn, including commercial debt. He expects to have barely $3bn available. The Russian aim is to pay no more than $5bn for government and commercial creditors combined, and thus reduce the gap of $3bn between debt servicing needs, and available hard currency, to around $2bn.

That sum would then by financed either by the planned IMF standby credit, or by drawing on the IMF stabilisation funds.

Germany's position in the negotiations is critical, because it is by far the largest creditor government.

It is also insisting that the

**The position in the negotiations of the Germans, the largest creditors by far, is critical**

cut-off date for the rescheduling – the date after which debts are supposed to be paid on time – should be January 1, 1991, and not January 1, 1992 as requested by the Russian government.

If all goes well in the talks between Chancellor Helmut Kohl and Mr Boris Yeltsin overnight, at Mr Yeltsin's country dacha, then the German government will today express firm support for the rescheduling process, and the aim to get it completed before the end of the year.

As for the commercial banks, formal negotiations on a long-term rescheduling have barely begun.

In Frankfurt, on December 4, the co-ordinating committee, which is headed by Deutsche Bank, agreed on a series of broad principles for such a deal, without discussing any figures.

Those principles are that any rescheduling should be realistic enough to be accepted by the markets; that the debt payments agreed must take into account the economic realities in Russia; and that the commercial banks will not necessarily agree on an identical deal to the Paris Club – although they should not be contradictory, either.

No firm date has been agreed for the next round of talks between the banks and the Russian government.

# Citizens express fear of more pain to come

By Leyla Boulton and Dmitry Volkov in Moscow

THE ordinary people in whose name Mr Yegor Gaidar, the father of Russian market reforms, was sacrificed this week, are remarkably sceptical of the promise of kinder reform made by his successor, Mr Viktor Chernomyrdin. "I welcome his promise but it's hard to believe. Yeltsin also promised there would be no poverty. Can it be done? I believe it's all very difficult," said Ms Galina Viktorova, 49, at a Moscow radio factory.

"I don't believe him. There's no reason too. It's just words," said Ms Anna Fomenko, 38, who described herself as unemployed. "Gaidar's reforms would not have achieved anything either. But I don't believe in any of these governments."

Mr Gaidar's departure and the return of an old-style figure seem to have prompted a certain amount of sympathy – in retrospect.

"People should not make promises but get on with things, at least Gaidar's team told us what to expect," said Mr Alexandr Parfyonov, a government driver. "I didn't like what Gaidar was doing of course but I felt sorry for him because he was so clever," said Ms Viktorova.

"As for his reforms, we didn't understand them and we were scared of prices rising to the point where we would not be able to survive."

For others, mostly professionals with money or ideals, Mr Gaidar had provided freedom instead of bread. "It's hard to say if Chernomyrdin will carry out his promise.

"I don't now anything about him, even though I agree that stopping poverty is the most urgent of tasks," said Mr Andrei Rapninsky, 28, an engineer. "But I liked what Gaidar did because of the freedom of choice it brought."

# PM and banker seen as dangerous duo

By John Lloyd in Moscow and George Graham in Washington

Industrial priorities: The chairman of the Russian central bank, Mr Viktor Geraschenko

THE appointment of Mr Viktor Chernomyrdin as prime minister has been greeted with the same caution in Moscow's foreign business and diplomatic community as it has been abroad.

Mr Chernomyrdin is little known outside Russia, nor is he known beyond the energy sector in the country. Those working in the sector have mixed views. "He has done nothing [as energy minister] for 12 months," said one experienced mineral resources professional.

"He is a good, straightforward industrial manager," said another.

The comments of foreign business need to be set against a depressed commercial environment: a number of representative offices, notably the big Siemens presence, are cutting or are not filling vacant posts.

The huge drop in orders for western goods, and the slow and so far largely unrewarding experience of joint ventures, has long punctured the bubble of enthusiasm in the Russian economy. The balance of diplomatic comment is that he will continue reforms which are anyway difficult to stop in principle – such as privatisation.

However, some believe he will be a dangerous man to combine with Mr Viktor Gerashchenko, the central bank chairman who has said he puts industrial needs before purely financial ones. Mr Chernomyrdin confirmed this impression yesterday at his first press conference, when he said that "the first issue is to stop the decline in industry and we will need a certain amount of spending and finance for this". On the threat of hyperinflation, he said he was "thinking about it".

However, "the simple formula, Gaidar equals reform, no Gaidar equals no reform, is clearly not applicable here," according to a senior western economic counsellor. "Mr Chernomyrdin has said he's more friendly to industry, but Gaidar was speaking about an industrial policy too. The new prime minister will be working within the same parameters as the previous prime minister."

Mr Chernomyrdin said he wanted "normal co-operation" with foreign businessmen (he met a group of German business leaders yesterday after talks with Chancellor Helmut Kohl) and said that he was quite ready to keep the US advisers presently working with the government – "and there will certainly be some Germans, and Russians. "The important thing is whether they want to help us," he said.

Meanwhile, the change in leadership is expected to further delay negotiations with the International Monetary Fund on a full standby agreement, which would allow Russia to borrow up to $4bn (£2.6bn) from the Washington-based institution. Delays are also expected in loan negotiations with the World Bank.

A meeting between IMF officials and the Russian government to review progress towards economic reform which had originally been scheduled for Friday has now been put off till January 11.

Even on optimistic assumptions about Russia's ability to implement a reform programme that will satisfy the IMF, it would take at least three months after that to complete a standby agreement.

However, IMF officials point out that they have already lived through one change of government in Russia, having started negotiations with the government of Mr Mikhail Gorbachev and his economic adviser, Mr Grigori Yavlinsky.

Russian ministers said when they joined the Fund last spring that they hoped to complete a standby agreement by the end of May (1992).

However, international bankers say the country has only drawn $300m so far from a $1bn preliminary IMF credit tranche which was not conditional on a reform programme.

Bankers say the reason for Russia's failure to use the IMF money is not clear, but the most prominent explanation is that the interest rates are too high. Washington monetary sources say that western financial aid has continued to flow to Russia, despite the absence of an economic reform programme that they would regard as adequate.

# Italians redraw political map

By Robert Graham in Rome

THE irreversible process of political change in Italy has been underlined by the results of municipal elections held on Sunday and Monday.

Italian municipal elections mirror general election voting patterns and, with more than 1m voters involved, this was a fair test of electoral opinion. The outcome has confirmed the decline of the traditional parties in favour of forces gathering a powerful protest vote, notably the populist Lombard League.

The League, headed by Mr Umberto Bossi with his federalist anti-Rome platform, has become the largest party in northern Italy. If the municipal vote were translated on to a national scale in a general election, it would be the second largest party with close to 15 per cent of the vote. The once powerful Christian Democrats have seen their national vote fall from the general election level of 29 per cent, a historic low, to below 24 per cent. The Socialists have fared even worse with their share of the vote at 9 per cent, and half this percentage in the north.

The political geography after the April general election showed Italy moving towards a broad division into three areas – the north, with the League struggling for dominance; the centre, broadly controlled by the former Communist party of the Democratic Left (PDS); and Rome and the south, in the hands of the Christian Democrats and the Socialists.

The map is now far more complex. The League has consolidated its position on a larger scale in the north. In the key industrial cities of Monza and Varese, it has 32 per cent and 37 per cent respectively of the municipal vote, compared with 20 per and 27 per cent in April. Mr Bossi has also shown the League is a force in the centre, doing well in La Spezia and Viareggio.

The PDS is under threat from its breakaway Communist rival, Reconstructed Communism which is attracting a mix of the young and Marxist nostalgics. Equally significant, The Network (La Rete), the year-old clean government movement has proved it can win votes up and down the country. Although it has under 5 per cent of the vote, it has more than doubled its general election performance.

The Network has stolen votes from Christian Democrats and Socialists, as well as the Republican party, which had hoped to profit by distancing itself from the government. The Republicans' failure is part of a generalised voter disenchantment with all the old parties. The exception here is the neo-fascist, MSI, which has lifted its national vote by 2 per cent to over 7 per cent.

The results have added urgency to the work of the 60-strong joint parliamentary commission studying electoral reform and constitutional change. Without such proposals, it is hard to envisage early elections – even if the coalition government looks increasingly fragile.

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The Bank of Italy has repaid Ecu12.2bn ($15bn) lent by the Bundesbank and the Belgian central bank during the September currency crisis. Over 90 per cent was owed to the Bundesbank and had to be repaid by yesterday. Almost half the funds wer repaid in Ecus, the remainder in D-Marks and dollars. A further Ecu2bn owed to the two institutions has been rolled over for another three months.

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# German rate cut 'possible after spring'

By Christopher Parkes in Frankfurt

THE looming German recession will damp down inflation and money supply growth and allow the Bundesbank to cut interest rates after next spring, a leading government adviser said yesterday.

Mr Rüdiger Pohl, one of the so-called five wise men, warned, however, that the bank would move cautiously since it would have to take into account the effects of rising US interest rates on the external value of the D-Mark.

The federation of German industry, BDI, said there was a danger that the rapid deterioration in confidence could lead to a longer recession.

Production cuts would have to continue, the rate of lay-offs would accelerate, and industrial capacity use would shrink further. At present some 17 per cent of west German manufacturing capacity is idle.

An export-led recovery will begin in the second half of next year according to most forecasts. However, the federal trade and industry association, DIHT, said French reluctance to approve the farm production compromise in the General Agreement on Tariffs and Trade talks could lead to a trade war. This would obliterate hopes of improved exports.

There were no signs that domestic conditions would improve next year, which would be the worst for the German economy since 1982, the DIHT said. In that year industrial production fell by more than 3 per cent and gross national product fell by more than 1 per cent.

Control of pay rises and government spending were especially important in the battle against recession.

According to Mr Otmar Issing, a member of the Bundesbank's central council, money supply growth would fall during November and December from the year's 10.3 per cent peak last month. Even so, it would still be well above target. On inflation, the only positive sign so far was a drop in import prices. This fall, of around 5 per cent, has stemmed mainly from the recent appreciation of the D-Mark.

A critical point would be reached in January when Mr Issing expected inflation to rise above 4 per cent after an increase in value added tax.

# Brussels urged to block gaps in single market

By Andrew Hill in Strasbourg

MEPs yesterday called on the European Commission to adopt legislation to close loopholes in the single market, which is due to open on January 1.

But Commission and member states are likely to resist pressure to unleash a new wave of law-making, which they believe would further alienate EC citizens, as the first tide of legislation begins to ebb. Governments will concentrate on implementing and enforcing existing laws.

With just over two weeks until the single market deadline, member states have adopted all but 5 per cent of 282 measures in the June 1985 single market white paper, which seeks to encourage the free movement of people, goods, services and capital.

Internal market ministers of the 12 hope to agree on some of the outstanding legislation when they meet tomorrow. They will try to agree temporary measures allowing frontier controls on goods to be lifted, even though systems for regulating movement of items such as explosives and art works will not be in place by January 1.

In a report to the Parliament, Mr Ben Patterson, a British Conservative MEP, yesterday proposed a new white paper setting new goals and "correcting the negative environmental and social impacts of the internal market". His report, prepared for the Parliament's committee on economic and monetary affairs and industrial policy, says gaps exist in the single market, including:

* a definitive system for collecting and monitoring value added tax, which will not be in place until 1997 at the earliest;
* freedom for airlines to operate anywhere in the Community, which will not be granted until April 1997;
* proposals for liberalisation of the EC energy market, which are opposed by a majority of member states.

"We don't want to be too downbeat about the single market, because 95 per cent of the legislation is there," said Mr Patterson. "But there is a strong undercurrent that the job has not been completed."

Mr Martin Bangemann, internal market commissioner, tried to reassure MEPs, saying EC citizens would have a right to sue governments which had not properly implemented single market legislation.

Reuter adds from Madrid: Nine EC countries yesterday approved a passport sticker letting them abolish border controls for their own nationals and other visitors, Mr Carlos Westendorp, Spain's state secretary for the EC, said. The move meant travellers from most countries with a visa to visit any one of the nine so-called Schengen group states would be able to enter the others without checks.

Nationals from the nine would be able to move through each other's territory with the hologrammed label. The nine comprise all EC states except Britain, Denmark and Ireland, and plan to abolish internal frontiers before the EC as a whole. Britain, Denmark and Ireland want to keep border checks for non-EC nationals but the Schengen group will scrap controls on visitors from 120 countries who will be entitled to use the new sticker.

## Excavation takes place amid calls by western leaders for war crimes tribunal

# UN team to dig up Croatian mass grave

By Laura Silber in Belgrade

A TEAM of United Nations pathologists today will oversee the excavation of mass graves in eastern Croatia in the former Yugoslavia, amid calls from the international community for the creation of a war crimes tribunal.

A team of pathologists and archaeologists is due to visit Ovcara, a village near Vukovar in eastern Croatia devastated last year by the Yugoslav army. They will dig up a grave where some 300 civilians and Croat soldiers are feared to be buried in cornfields after being taken from Vukovar hospital and executed by Serb forces when they seized the town in November last year.

It was uncertain whether local Serb authorities in the UN zone would try to obstruct the investigation which could incriminate high-ranking Yugoslav army officers. The UN team is headed by Mr Clyde Snow, an American pathologist who has conducted similar investigations in Central America.

The excavation could produce evidence for a war crimes tribunal which western leaders are seeking to try those responsible for atrocities in Croatia and Bosnia.

The US and France are discussing creating a permanent international war crimes court whose first task would be to try war criminals in former Yugoslavia, the French foreign ministry said yesterday.

"The Ovcara excavation is under the auspices of the UN commission set up to investigate reports of atrocities in the Bosnian war among Serbs, Croats and Slavic Moslems. Serb forces, the biggest army, are seen as most responsible for killing, expelling, and torturing non-Serbs.Amid growing demands for foreign military action to stop the bloodshed in Bosnia, a Bosnian Serb comander yesterday warned "intervention would be suicide."

Bosnian Serb leaders have tried to prevent intervention by claiming Bosnia would be another Vietnam.

● Mr Cyrus Vance and Lord Owen yesterday made a surprise foray into Serbian domestic politics with an appeal to voters to choose peace in this weekend's presidential elections, Reuter adds from Geneva. The co-chairmen of the Geneva conference seemed to urge support for moderate candidate Mr Milan Panic when they said that "this election will choose the course of peace and not the policies of war".

Mr Panic, who returned from California to become prime minister of the rump Yugoslavia in July, is competing for the Serbian presidency against Mr Slobodan Milosevic, the hardline nationalist incumbent

A Bosnian Serb soldier embraces his brother, killed in fighting with Moslem forces, at a funeral near Maglaj in central Bosnia

# EC brings forward date to end CFCs use

By David Gardner in Brussels

EC ENVIRONMENT ministers agreed to bring forward the dates by which the Community ends the use of chlorofluorocarbons (CFCs) and other chemicals which deplete the ozone layer.

They were also moving closer to agreeing common rules for endorsing company environmental audits, although Spain and Germany want the rules tailored more for small to medium-sized companies.

The EC is adapting its own CFC targets to last month's decisions in Copenhagen on the Montreal Protocol, the 93-nation pact governing action on the ozone layer. Ministers last night asked the commission to bring forward even faster phase out targets early next year.

It was agreed in Copenhagen to reduce CFC use by 75 per cent by the end of next year, and phase them out entirely by 1996, four years ahead of schedule. CFCs, used mostly in refrigeration, aerosols, air conditioning and insulation, have done most to thin the ozone layer.

Scientists predict an increase in eye cataract conditions and skin cancer, caused by ultra-violet radiation the ozone layer filters out.

Agreement on the environmental audit regime was also held up by a roughly even split on whether the EC should award a logo to companies fulfilling the common criteria.

Ministers were also expected to adopt tighter exhaust emission targets for light trucks.

# IMF revokes Yugoslavia's membership

By George Graham in Washington

THE International Monetary Fund has revoked Yugoslavia's membership and laid down the conditions for its successor republics to become members.

After weeks of deliberations on a legal formula, the IMF concluded that Yugoslavia had ceased to exist and had therefore ceased to be a member. The decision lays down the quota of each successor republic, which will also be the share each must accept of the former Yugoslavia's liabilities to the Fund, which amount to about $217m.

Each republic must not only notify the IMF that it agrees to take its share of responsibility but must also be "found by the IMF to be able to meet its obligations" and be up to date in its payments to the Fund.

This will effectively exclude Serbia and Montenegro, which the IMF plans to treat as a single Federal Republic of Yugoslavia, because it is unable to make payments to the Fund as a result of the United Nations embargo.

The World Bank, the IMF's sister institution, will follow suit, although most of its $2bn loans to Yugoslavia involved specific projects, and liabilities can therefore be assigned on a geographical basis, rather than simply as a percentage share.

The Bank has been much more concerned about how to deal with Yugoslavia because of the possibility that Serbia might, if it were drummed out, repudiate its share of outstanding debts, leading to the first formal default in the development institution's history.

Many IMF directors have felt, however, that since Serbia is behind in its payments, little extra risk would result from its exclusion; in addition, they believe Serbia will not want to burn its bridges.

Western financial officials have been eager to open the way for Croatia and, especially, Slovenia to IMF and World Bank financing.

# Van den Broek joins EC jigsaw

By Lionel Barber and David Gardner in Brussels

THE appointment of Mr Hans van den Broek as the Netherlands EC Commissioner means that one of the missing pieces in the forthcoming Commission reshuffle jigsaw is now on the board.

Next Tuesday the 17-strong Commission meets in Brussels to parcel out top jobs ranging from foreign affairs to competition for at least the next two years. Mr Jacques Delors, the Commission president, is almost certainly the only person who knows how the pieces will fit into place.

In selecting his team, Mr Delors must balance personal egos and the national interests of the Twelve, as well as obey a number of unwritten conventions such as handing over the big ticket agriculture portfolio to a small state.

Mr van den Broek's high profile in foreign policy will add weight to the Commission; but it is far from certain whether he can take over the bloated external affairs portfolio held until now by Mr Frans Andriessen, the outgoing Dutch commissioner.

There are four strong candidates for this job which makes it likely that it will be split up. Sir Leon Brittan, the UK's senior commissioner now in charge of competition, wants to hive off trade policy and relations with Eastern Europe. France may back his bid because it sees him as over zealous in cracking down on cartels and state aid.

Mr Martin Bangemann, Germany's EC senior industry commissioner, also wants to swallow up the Commission's considerable trade responsibilities in an effort to create what EC officials describe as a Japanese-style ministry of trade and industry.

Mr Joao de Deus Pinheiro, Portugal's highly regarded former foreign minister, may also expect to take over some areas of foreign policy - possibly responsibility for negotiating EC entry for Austria, Finland, Sweden and probably Norway.

If Sir Leon were to surrender competition, a possible replacement is Mr Karel Van Miert, the Belgian commissioner now in charge of transport and temporarily environment. Even Mr van den Broek is not excluded for this heavyweight job.

Only Ireland has yet to nominate its commissioner to replace Mr Ray MacSharry, the agriculture commissioner and EC farm trade negotiator. The current betting is that the Irish candidate will take the sensitive social affairs portfolio, with Ms Maire Geoghan-Quinn, transport minister in the outgoing Dublin government, or Mr Barry Desmond, a Labour MEP and former health minister, being tipped for the post.

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**Mr van den Broek's appointment came as a surprise even though fellow Dutchmen Mr Andriessen was widely expected to leave the Commission, writes Ronald van de Krol in Amsterdam**

**Mr van den Broek has been foreign minister for 10 years and is the only cabinet minister to have served in all three governments formed by prime minister Mr Ruud Lubbers since 1982.**

**A staunch Atlanticist and a proponent of European integration, he was closely involved in efforts to stop the fighting in the former Yugoslavia during the Dutch presidency of the EC in of 1991.**

**Mr Pieter, Kooijmans, 59, a professor of international law at Leiden University, will take over as foreign minister.**

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Van den Broek: high profile in foreign policy

# Eurofighter has lift-off but its flight schedule is uncertain

## Questions remain about production of the aircraft which will sustain Europe's defence industry, writes **David White**

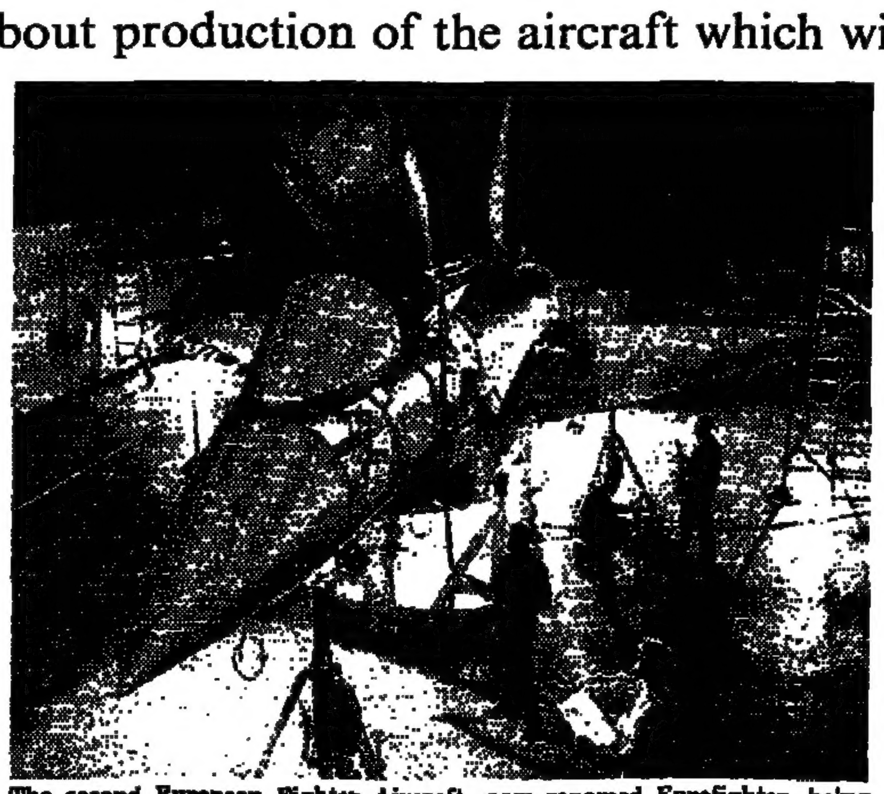
THE European defence industry's largest new collaborative project is back in business. The restoration of a partnership between Britain, Germany, Italy and Spain to press ahead with the former European Fighter Aircraft, now unimaginatively renamed Eurofighter 2000, promises work for their aerospace and electronics companies well into the next decade.

But having examined last week's agreement between defence ministers there are still uncertainties about how and when production will be carried out.

Over the next six months the partners have to work out changes in specifications, how to accommodate different requirements and how to reallocate production to achieve aimed-for cost reductions in the £20bn-plus project.

Germany, after saying this summer that it would not go beyond development, is still not formally committed to production and is not due to decide, by vote of parliament, until 1995. This is after its next general election.

"There are really more questions than answers for the time being," said Deutsche Aerospace (DASA).



The second European Fighter Aircraft, now renamed Eurofighter, being assembled at the British Aerospace Warton Aerodrome in Lancashire

The Daimler-Benz subsidiary, with divisions involved in the airframe, engines and radar and electronic systems, is the company that would have suffered the biggest immediate impact if Germany had pulled out.

The other main industrial participants are British Aerospace, GEC-Marconi, Rolls-Royce, the Italian Alenia and Fiat groups and Construcciones Aeronauticas (CASA) of Spain.

According to the Society of British Aerospace Companies, 14,500-15,000 people are already engaged in Eurofighter work in Britain. BAe says it has about 1,000 directly involved in the programme; Rolls-Royce 2,000; and GEC-Marconi, described by its managing director Mr David Fletcher as having "more at stake on that aircraft than any other UK company", about 3,000. Estimates of the number of UK jobs the programme will sustain at the height of production vary from 28,000 to 40,000. German industry reckons on direct employment of 20,000, with a similar number of indirect jobs.

In Italy Alenia alone has 1,500 people engaged in development work on the airframe and electronics. This is expected to rise to more than 5,000 out of total Italian employment of 9,000.

But all companies will have to cope with a slower build-up in the programme. BAe is pinning hopes on a Saudi Arabian order to enable it to resume production of Tornado bombers at its main military aircraft plant at Warton, Lancashire. Otherwise it will have to rely on upgrade work and assembly of Hawk light fighters to keep the plant going until Eurofighter production starts in four or five years. Two years ago, the expectation was that it would begin in 1994.

Spending on development is being slowed down, even though the programme has already fallen a year behind. The first prototype is now expected to fly early next year.

Britain and Italy both want their first production Eurofighters in the year 2000. This means they have to find ways to start setting up production before Germany has decided whether it will purchase the aircraft or how many – a decision that will determine its final share in the programme.

The fact that Germany and Spain do not want Eurofighters before 2002 means that the others will presumably have to take all the early production aircraft, complicating their spending plans.

A study by the industrial partners in October identified possible cost savings of 13 per cent by centralising some production, reassessing logistic support costs and purchasing some equipment off the shelf. Further reductions – bringing total savings to the 30 per cent German 'arget – were possible if partners wanted less sophisticated equipment.

British officials insist that the revised project will bring some savings to the UK, against an earlier estimated "flyaway" price – excluding the cost of development, tooling, spares or support – of £30m per aircraft. But how much will be partly determined by other partners' decisions.

The current premise is that the "basic" Eurofighter will keep the same airframe, engines and radar. But it is unclear whether Germany will want the joint ECR90 radar, a UK-led project which it endorsed reluctantly in early 1990. If it does not, the UK would have to assume a greater share of the ECR90's cost.

Partners will in any case need to decide on new workshares for the production phase.

Questions focus, for instance, on whether the wings should continue to be made by three countries – an Italian port wing and a starboard wing shared by Britain and Spain. Practices such as flying printed circuit boards around for different partners to do work on them are due to stop. However, none of the four countries is ready to abandon its claim to a final assembly line

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# Rabin pursues peace despite kidnap murder

By Hugh Carnegy in Jerusalem

MR YITZHAK RABIN, the Israeli prime minister, yesterday promised a "merciless" campaign against militant Islamic fundamentalists in the occupied territories after a paramilitary policeman kidnapped at the weekend was found murdered by a roadside in the West Bank.

But Mr Rabin told parliament his government would not be diverted by such acts from its commitment to Middle East peace talks with the Palestinians – as well as Syria, Jordan and Lebanon – currently going on in Washington.

He was speaking after the body of Border Police Sgt-Major Nissim Toledano was found bound, strangled and stabbed and dumped close to the road from Jerusalem to Jericho.

Sgt-Major Toledano was kidnapped early on Sunday by Qassam, the military wing of the Islamic fundamentalist group Hamas, which originally demanded the release of Sheikh Ahmed Yassin, the founder of Hamas jailed for life by Israel. Although the government suggested it was prepared to discuss the demand if it was assured Sgt-Major Toledano was still alive, there was no further word from the abductors.

Mr Rabin said the kidnap, and the deaths of five other soldiers in the past week, were intended "to kill Jews and Israelis and to kill peace". But he said he had no intention of halting the peace talks. "We continue to believe that the political solution will give peace to us and those surrounding us."

However he added that there would be no halt to "the war against terrorism". He said 1,200 leaders and activists of Hamas, which strongly opposes the peace talks, had been arrested since the kidnap in the Gaza Strip and the West Bank.

"Our intention is to continue mercilessly to hit – in accordance with the law – the organisation, its members and its collaborators." In Washington Dr Haidar Abdel-Shafi, the head of the Palestinian delegation, said the effect of the violence was to "reduce the credibility of the peace talks".

Nevertheless, Israel has presented the Palestinians with a revised agenda aimed at overcoming problems delaying agreement on an interim period of Palestinian self-rule.

It apparently goes some way to meeting Palestinian demands that UN resolutions calling for an Israeli withdrawal from occupied lands apply to the interim stage as well as to a final settlement to be negotiated subsequently. All delegations to the peace talks are due to meet President George Bush tomorrow before adjourning until after the Clinton administration takes over next month.

● International human rights groups and foreign correspondents in Israel yesterday protested to Mr Rabin over the arrest on Monday night of Mr Taher Shriteh, the leading resident journalist in the Gaza Strip.

Mr Shriteh, who works as a part-time correspondent for Reuters, News Agency, the BBC, the New York Times and occasionally for the Financial Times, is widely regarded as an independent and accurate reporter of Gaza's violent politics. His detention in effect ively cut off the main source of reliable news from Gaza.

# Crisis-ridden Kenya limps to the ballot box

## An economy battered by corruption and mismanagement is key issue, writes Julian Ozanne

KENYA'S first multi-party election campaign enters its final fortnight amid allegations of state-sponsored violence, intimidation and manipulation of the nomination process.

The allegations have overshadowed what will nonetheless be a key issue when voters go to polls on December 29 – the state of the country's economy, battered by corruption and mismanagement.

Opposition parties are focusing on the government's poor economic record, alleging continued corruption and lack of commitment to reform. Across the country opposition politicians are telling farmers, workers and the growing millions of unemployed that the government of President Daniel arap Moi has failed to realise Kenya's potential.

"This election is make or break for the economy," said Mr Robert Shaw, economic adviser to the main opposition grouping Ford-Kenya. "Only the opposition have the will to put the economy back on track and raise living standards for ordinary Kenyans."

International donors, who last November suspended about $300m a year of aid to Kenya until the government re-introduced democracy and beefed up its economic reform efforts, also view the election as critical for Kenya's economic future. Many have come to see an opposition victory, on a well-thought-out programme of emergency economic measures, as the only way out of a gathering crisis.

An International Monetary Fund team which visited Kenya in September to asses a shadow reform programme gave the country what one donor called "a C-minus grade". Real per capita income growth is set to decline for a second year, inflation has rocketed to 37 per cent, money supply creation is well over the limits set in the budget, and the government has accumulated large arrears on its $6.8bn external debt, raising the prospect of having to negotiate its first debt rescheduling agreement.

The agricultural sector, which contracted by 1.1 per cent in 1991, is set for further problems as a result of continued political intervention by government institutions.

Politically sponsored corrupt deals this year, most notably in sugar imports, and mounting evidence of government using the banking system to fund its political campaign, have pushed the economic reform programme further off track.

Donors say the government has made little progress on the three economic issues that led to suspension of aid: corruption, a burgeoning budget deficit and parastatal reform.

A document issued by the US embassy in Nairobi is typical of donor discontent. It says Kenya has fallen on hard times due to "simple, if all pervasive, government mismanagement". The report notes the increased exposure of "scandals highlighting the illegal diversion of massive resources" and says: "The government has failed to respond to the crisis, instead it has avoided undertaking needed reforms and continues to perpetuate large budgets, inefficient government-dominated production and a selective award system to privileged groups."

The task set by donors last November – carrying out austere reforms in conjunction with political liberalisation – was always going to be difficult for the government. During the past year some progress has been made in foreign exchange liberalisation by the provision of foreign exchange export retention accounts and in further price liberalisation.

A senior western economist in Nairobi says the money supply has expanded by 35 per cent this year on an annualised basis against an IMF target of 10 per cent. Much of this money creation is going to swell the campaign war-chest of the ruling party Kanu. The central bank is pumping in liquidity via the "political banks" – those with political connections – through misuse of the export pre-shipment finance scheme, which grew by Ksh10bn (£180m) this year.

Donors are also angered by the government's recent decision to abolish its programme of liberalising maize marketing, supported by millions of dollars from the EC, US and World Bank. The government recentlybanned the free movement of maize and made the inefficient and corrupt National Cereals Produce Board the monopoly purchaser of maize.

According to western economists this move was politically motivated because it gave the government control over which areas would receive maize in the run-up to elections. "If you don't support Kanu you won't get maize," said one diplomat.

Liberalisation of maize marketing has been a critical part of the donor-funded agricultural reform drive since 1986, which, according to one donor, is "now back to square one". In response to the government's move the World Bank is considering cancelling its loan to the sector worth US$35m. The EC has also suspended a $13m loan from its Stabex Fund as a contribution to this year's crop purchase by the NCPB.

Another World Bank loan for export promotion worth $160m is also being held back pending better macro-economic performance.

Furthermore, donors say that corruption has been on the increase. Throughout the year the government awarded contracts to politically connected businessmen to import at least 80,000 tonnes of sugar free of duty and taxes.

Huge profits were made as artificial shortages were created to push up consumer prices for imported sugar which, unlike domestically produced sugar, is not price controlled. Imported sugar has sold throughout the year at four times the price when landed at Mombasa.

In his annual report Kenya's Auditor-General revealed a number of serious irregularities in state affairs, including financial deals involving the Treasury and the ministry of lands and housing. The government has taken no action on the report's findings.

Similar corrupt practices have been exposed in Kanu's political campaign finances. In September, for example, the National Social Security Fund, the state pension and social security body, paid Ksh1.2bn for two plots of land worth only Ksh66m. The land was owned by Mr Cyrus Jirongo, the chairman of Youth for Kanu 92, the organisation spearheading Kanu's electoral campaign.

Refugees escaping fighting between Tajik Islamic and communist forces wait in tractor-drawn trailors to enter the safety of the capital of Dushanbe yesterday

# Japanese machine orders fall

JAPANESE capital investment is continuing to fall steeply, according to government figures published yesterday which show machinery orders in October fell by 28.6 per cent from the month before, Charles Leadbeater reports from Tokyo.

The government's Economic Planning Agency said that orders received by Japan's leading machinery makers were 30.7 per cent down on the same month last year. Orders from manufacturing in October fell by 31 per cent from the previous month to Y345bn ($2.7bn) 82bn) while orders from non-manufacturing fell by 25.7 per cent to Y456bn.

Public sector orders fell by 18 per cent from September, but were 5.7 per cent up on the year before reflecting the sharp increase in government spending on public works.

## Malawi dissidents condemn jailing

A group of Malawi dissidents yesterday condemned the jailing of their leader and called for continued pressure on the government of President-for-life Hastings Kamuzu Banda, Reuter reports from Lusaka.

The Alliance for Democracy (Aford) said in a statement issued in Lusaka that the trial of its interim chairman, Mr Chakufwa Chihana, had been marked by "unprecedented political interference in judicial proceedings". Mr Chihana, a trade unionist and long-time opponent of Mr Banda, was convicted in Blantyre on Monday on two counts of sedition and jailed for two years.

# French acknowledge US command in Somalia

By David Buchan in Paris

FRANCE yesterday closed ranks with the US by stressing that its soldiers in Somalia were under US operational command and that their mission was primarily to escort food and medicine rather than to seize arms.

A conflict between respective French and US missions arose out of an incident earlier this week, when French soldiers were ordered by a US officer to return a machine-gun to Somalis who were said to be guarding food supplies for an international aid agency. This drew criticism from the French government which said that disarming the Somali population was in line with the United Nations mandate.

But in Paris yesterday the defence ministry underlined that the 350 French troops at present in the country were under the effective command of the much larger US force.

The Foreign Ministry spokesman said that "when French troops find arms in the areas they control, they will take them," leaving the impression that they would not actively seek out weaponry for seizure.

Nevertheless, French support for a more active military role in both Somalia and Bosnia is underlined in a CSA opinion poll published today. Eighty-two per cent backed such a role in Somalia and 67 per cent in Bosnia. France has 4,500 soldiers in the ex-Yugoslavia.

Leslie Colitt adds from Berlin: A prominent US foreign policy adviser has said the US military intervention in Somalia had other objectives besides the outgoing administration's desire to alleviate starvation.

Mr Robert Hunter, a National Security Council member under former President Carter, said the struggle over future planned reductions in US defence spending also played a role.

# IDA to target poorest countries for loans

THE International Development Association (IDA), provider of low-cost aid to developing countries, said yesterday it would distribute more of its resources to the world's poorest, least credit-worthy countries, Reuter reports from Berne.

The IDA, an arm of the World Bank, also said its 34 donor countries had agreed to replenish IDA funds with SDR13bn (£11.8bn) over three years from next July.

The IDA "will reduce the share of its lending to countries able to access international financial markets as well as IDA resources," said Mr Ernest Stern, World Bank managing director.

He added that the countries likely to receive less of IDA's aid than in previous years were China, India, Pakistan, Nigeria and a number of others which all could raise money on international capital markets.

It would focus more on the poorest countries of South-east Asia, Africa and Latin America, with particular emphasis on poverty reduction, family planning and social services for women in these areas.

The 34 donor countries met in Berne to complete the negotiations, which began earlier this year, on the 10th replenishment of IDA resources.

Mr Stern said the willingness of donor nations to contribute $18bn - a slightly increased amount in real terms over $15.5bn agreed by donors in the ninth replenishment – was remarkable at a time of sluggish economic growth and fiscal restraint.

After repayments by borrowers the IDA would have some $22bn at its disposal for funding development projects between mid-1993 and mid-1996.

Some leading donors had not been able to maintain the shares of total contributions they had made in previous IDA replenishments, negotiations, Mr Stern said. He added that demand on IDA resources had risen in real terms because the number of borrower countries had increased and greater attention was being paid to the environmental aspects of aid.

This would constrain some of IDA's support for projects in certain countries.

## Algiers curfew worsens violence

The curfew imposed on Algiers and surrounding provinces 12 days ago has led to an escalation of violence, with five members of the security forces and six Islamic militants losing their lives since the beginning of this week, writes Francis Ghilès.

The militants were killed early yesterday in a house where they had found refuge near the Kouba mosque on the eastern side of Algiers, a district which was a the Islamic Salvation Front stronghold until the party was banned 10 months ago. Some commentators in Algiers saw last Monday's killings as a defiant response to a statement made last weekend by Algerian leaders of a "clear improvement in the anti-terrorist struggle."

## Donors promise aid to Mozambique

International donors yesterday promised some $200m to build peace and avert famine in Mozambique, Reuter reports from Rome. The largest single pledge, $90m, was made by the European Community. Italy, which is hosting a two-day donor conference for Mozambique, promised some $74m.

## Timorese guerrillas ambush patrol

Timorese guerrillas said yesterday they had ambushed an Indonesian patrol in East Timor, killing at least 30 soldiers, in the first attack since the capture of rebel leader Xanana Gusmao, Reuter reports from Sydney.

# Rao sacks 3 state BJP governments

INDIA'S federal government sacked three state governments ruled by a pro-Hindu party yesterday and placed them under direct rule following vicious communal riots sparked by the razing of a mosque, Reuter reports from New Delhi.

An official said the decision was taken at a cabinet meeting presided over by Mr P.V. Narasimha Rao, prime minister, and conveyed to President Shankar Dayal Sharma.

A presidential proclamation said Madhya Pradesh, Rajasthan and Himachal Pradesh, ruled by the Bharatiya Janata Party (BJP), had been brought under New Delhi's direct rule.

Mr Rao has been under pressure from within the cabinet and the ruling Congress party to sack the three BJP-ruled governments to make a ban on several religious groups effective. The official said the cabinet's decision was based on the reports of the governors of the three states.

The BJP government of northern Uttar Pradesh state was dismissed immediately after the razing of the mosque in Ayodhya by frenzied Hindu mobs on December 6.

The government last Thursday banned the Rashtriya Swaymsevak Sangh (RSS), the Vishwa Hindu Parishad (VHP, World Hindu Council) and the Bhajarang Dal, all linked with the BJP and the temple campaign. It also banned two Moslem religious groups.

# Myth of secularism comes to an end in Bombay

## Shiraz Sidhva on why India's commercial capital was least prepared for the violence after Ayodhya

"TO HELL with your secularism if it is at the cost of Hindus," says Mr Bal Thackeray, the founder of the Shiv Sena, Bombay's most militant political party, sitting in his plush suburban home.

As rioting swept the city last week in the wake of the demolition of a mosque at Ayodhya in northern India, it was clear that the Sena, a political ally of the Hindu right-wing Bharatiya Janata Party, was not about to let the city's Moslems get away with protesting against the destruction of the mosque.

Calling a strike which paralysed the city on December 9, Sena supporters targeted Moslems, mostly in the slums, where half Bombay's 12m people live. The Hindu fanatics were spurred on by the indifference of the largely Hindu police force in some places and blatant connivance in others. "The police have become the object of mistrust and hatred like never before in Bombay," said Mr George Fernandes, a senior opposition Janata Dal MP who toured the riot-torn city.

The Shiv Sena (literally, army of Shivaji, the 17th century warrior leader from the region, who fought the Mughal king Aurangzeb) was founded in Maharashtra state, of which Bombay is the capital, in the 1960s, primarily as an anti-communist movement, to combat the trade unions that controlled the city's textile mills, railways, and banks

Mr Thackeray, a former cartoonist and writer who changed his Indian name to use that of the English writer he admires, strokes his granddaughter's hair as he flatly denies responsibility for the violence in nearby Dharavi, Asia's largest slum, where members of his organisation threatened Moslems with daggers; forcing them to flee their homes. He insists his men are only responding to the provocation by Moslems. "If you slap me, why should I not hit back?" he says.

The Sena has an estimated strength of 200,000, about 20,000 of whom are actively militant, mostly unemployed youth. Sitting under the picture of a growling tiger which is his party's symbol, he says: "Every Maharashtrian is a Shiv Sainik (soldier). Jai Maharashtra (Hail Maharashtra)!".

Bombay, India's commercial capital, was the city least prepared for and worst affected by the communal violence that swept India last week. The city, which had previously scorned religious intolerance in other parts of India and prided itself on being India's most cosmopolitan and secular, came to a grinding halt for four days last week, as bloody clashes between Moslems and Hindus left 215 dead and more than 1,000 injured, the highest toll for any place in India (the country-wide toll was more than 1,100).

More than the business losses of an estimated Rs5bn (£110m) incurred in Bombay last week. The events shattered the myth that Bombay was aloof from politics and caste, unconcerned about anything but commerce. The city's stunned residents were forced to accept that under Bombay's cosmopolitan veneer lay a volatile mix of social tensions and communal polarisation.

Reports that over 150 deaths had been the result of indiscriminate police firing, suggest a breakdown of the rule of law, with the police openly exhibiting their sympathy to the Shiv Sena cause. Eyewitnesses and the bodies of victims in morgues and hospitals testify that police shot people, mostly Moslems, in the head and chest, aiming to kill rather than disperse the mobs as they claimed.

While much of the violence wasconfined to the slums, buses were burnt and windscreens smashed in affluent residential areas like the suburb of Bandra. "Violence was something we'd only read about in the papers, it never happened to us on our way to work," said Mr Ajit Dayal, an investment consultant.

What frightened most citizens was the state machinery's failure to control the rioting, which police say started when Moslem processions began flooding the streets protesting at the destruction of the mosque.

Mr Sudhakarrao Naik, the chief minister of the state ruled by the Congress (I), took over 40 hours to return to Bombay from a party meeting he was attending in Nagpur. Even Mr Sharad Pawar, the country's defence minister, who comes from the state, admitted after a visit to the worst-hit areas that confidence in the law and order machinery of the state had been badly shaken, and that twice as many Moslems had been killed as Hindus.

Mr Shrikant Bapat, the Bombay commissioner of police, was unwilling to accept claims that Moslems were deliberately targeted by his force. He says the violence that broke out in the predominantly Moslem areas of Bhendi Bazaar, Kurla, Govandi, Deonar and Dharavi was more than a spontaneous reaction to the destruction of the shrine in Ayodhya, ascribing it to rivalries in the city's vast underworld network headquartered in these areas.

All the Moslem families of a section of sprawling Dharavi (population over 500,000) have been evacuated to safer areas, while Moslems, sometimes with the help of their Hindu neighbours, keep guard in the slum's narrow streets, in the absence of help from the police.

Another factor that has contributed to the rift between Hindus and Moslems is the shrinking of job opportunities in the Thane-Belapur-Pune belt, where 77 per cent of Maharashtra's industrial workforce is concentrated. Official estimates reveal that the number of registered educated unemployed youth in the region has grown by 250 per cent in the last decade, as the population continues to grow and industrial units have either closed (as in the case of several textile mills) or been relocated in other areas of the state where labour is cheaper.

It is no coincidence that the Sena is strongest here. Sociologists and political analysts say unemployment has contributed to the growing criminalisation in the state. "It is always easy to blame a member from another community or an outsider for depriving you of a job," says Mr P. Sainath, a Bombay-based newspaper editor. "The truth is, there are no jobs."

Industrial workers have borne the brunt of the riots in several parts of Bombay. "We have never seen Bombay going up in smoke like this, and I have lived here for over 50 years," says Harish Bhau, a floor manager in a textile mill.

**Indian businessmen, trying to recover from the disruption of the Ayodhya crisis, have run into a more familiar difficulty – a strike by pilots of Indian Airlines, Stefan Wagstyl reports from New Delhi.**

**The state-owned domestic carrier has been operating only about 25 per cent of its normal flights since most pilots went on strike on Friday, throwing the timetable into chaos. The pilots want pay increases to close the gap with the salaries paid by India's newly created private airlines.**

**Indian Airlines management retorts that the private carriers' pilots are much more productive than those at Indian Airlines. The managers also say the pilots' pay is already excessively high. An official estimates the average pilot receives about Rs30,000 (£670) a month, or about ten times as much as a booking clerk and three times as much as the airline's chairman.**

**The dispute highlights the problems of liberalisation. The government has authorised private companies to operate scheduled routes to promote competition and raise standards of efficiency at Indian Airlines and at Vayudoot, a smaller state-owned carrier.**

**Seven new carriers have taken to the skies, including Bombay-based East West Airlines, the largest, which has challenged Indian Airlines on some of its busiest routes.**

**Passengers have reported dramatic improvements in service on routes where Indian Airlines has to compete with East West. But Indian Airlines complains that East West can cream off the best routes whereas Indian Airlines is required to serve all corners of a vast country.**

**Indian Airlines adds that East West is poaching pilots. The state carrier, which has 570 pilots, has lost about 30 this year to East West and other operators.**

# Bush is pressed on UK air deal

By Nikki Tait in New York

THE heads of the three biggest US airlines have written to President George Bush, urging him to reject the proposed tie-up between British Airways and USAir. The letter was timed to arrive ahead of the visit by Mr John Major, UK prime minister, to Washington this week.

The "big three" US airlines, fearful Mr Major will press for approval of the deal, urge Mr Bush "to resist 11th-hour promises that fall short of a fair and balanced transaction, and mortgage the future" of the US airline industry.

"To compete with British Airways, US airlines must be able to offer the same products as British Airways," they say. "To do that, they must have expanded authority to London and rights to fly within and beyond the UK to all points served by British Airways."

The Bush Administration is to decide on the deal before Christmas. President-elect Bill Clinton has hinted he will not approve it unless US carriers win extra access to the UK.

# Franco launches war over medicines

By Christina Lamb in Rio de Janeiro

EVER since Brazil's President Itamar Franco found the cost of his mouth-ulcer ointment had gone up again, the price of medicines has been the most prominent issue of his government, and a symbol of his populist style.

Barely a day goes by without Mr Franco complaining about so-called "abusive price increases" by the pharmaceutical industry, which claims to be simply keeping up with 25 per cent a month inflation.

Yesterday, Mr Franco formally declared war, announcing he would take legal action against all companies raising prices above inflation, and ordering the Inland Revenue to investigate their tax position.

He also authorised a $1.1bn donation to state- and army-owned laboratories to make drugs at lower prices.

The drugs companies are the latest target in a long-running battle between successive Brazilian governments and oligopolies that characterise much of the country's industry.

The fact that the main pharmaceutical companies are foreign has brought nationalist sentiment behind Mr Franco's crusade.

Mr Pedro Motta Veiga, director of the Foreign Trade Foundation, says: "If anyone was thinking of investing in Brazil this would be very off-putting. Itamar goes after the drugs companies, Collor the car manufacturers. Who knows what the next president will target?"

Until October 1991, medicine prices were government-controlled and kept so low that 13 foreign companies left Brazil and 34 national companies closed. After liberation, an accord was reached to allow companies to raise prices by monthly inflation plus a real 6 per cent increment to compensate for past losses.

The current row was sparked last month when the industry announced a 25 per cent price rise agreed in its monthly meeting with economy ministry officials, to compensate for October inflation of 26.5 per cent. After a furious Mr Franco suspended the accord, the companies agreed to cut the increase to 23.38 per cent and grant a 10 per cent discount on 76 medicines in frequent use.

This month, the industry announced increases of 21-26 per cent, prompting an angry protest note from the Presidency accusing the companies of "civil disobedience".

Mr Jose Eduardo Bandeira de Mello, vice-president of the Association of Pharmaceutical Manufacturers (Abifarma), says he had advised the health ministry of the increases, and protests: "All sectors of economy are readjusting prices according to inflation. Why can't we do the same?"

HAPPIER DAYS: President Franco meets business leaders, before his "medicines war" broke out

But according to figures released yesterday by the Department of Economic Defence, medicines have increased by an average 3,770.5 per cent in the past year, against inflation of 1,483 per cent. Some drugs have gone up by as much as 16,128 per cent. Abifarma retorts that since 1982 their prices have gone up 397,831 per cent, against inflation of 616,985.20 per cent.

Businessmen fear Mr Franco's concern with medicine prices may be the first step to reintroduction of price controls or a new price freeze, arguing that if he was really concerned about people's ability to afford medicines, he would cut sales tax, or offer medicine vouchers, rather than give money to state laboratories.

# Fundamental shift occurring in world pulp industry

By Paul Abrahams

A FUNDAMENTAL shift in the pulp industry is occurring between the northern and southern hemispheres. The southern hemisphere, mostly South America and Asia, will become the world's forest plantation and pulp factory, while the north will increasingly supply specialist papers, said Mr Erling Lorentzen, chairman of Aracruz Celulose, the largest South American pulp group.

The warning has serious implications for pulp and paper industries in Scandinavia and North America. Forestry represents 40 per cent of Finland's exports, 20 per cent of Sweden's and 15 per cent of Canada's.

Mr Lorentzen, addressing the Financial Times pulp and paper conference in London, said he doubted one company could embrace the skills needed for large-scale pulp production and manufacture and marketing of paper.

Paper production would be concentrated near customer markets, to keep costs low and satisfy clients' delivery needs.

But northern hemisphere pulp manufacturers were at a disadvantage and would have to rationalise.

Those most threatened were high cost producers. Production costs per tonne for bleached hardwood kraft pulp were $247 in Brazil, $300 in Finland, $365 in Sweden and $370 in Canada.

The most important component was the cost of wood. Brazilian plantations were more productive than those in the northern hemisphere. Eucalyptus takes about seven years to harvest, against as much as 60 years for pine in Scandinavia.

Substitution of eucalyptus for bleached northern kraft pulp is already occurring, the market research company Hawkins Wright, says. Eucalyptus has increased its market share by 800,000 tonnes between 1989 and last year; bleached northern kraft pulp lost nearly 1m tonnes.

The recession and rising environmental demands would speed rationalisation, Mr Lorentzen warned.

Hawkins Wright says world demand for chemical market pulp rose 1.7 per cent between 1987 and 1992 from 26.1m tonnes to 27.8m. Capacity rose 5.3 per cent from 26.7m to 32m.

# Peruvian army's anger rumbles on

## Growing calls for amnesty echo its resentment, Sally Bowen reports

A MONTH after the failed coup attempt against the government of President Alberto Fujimori, newly elected congressmen are calling for an amnesty for the military involved. As resentment within the armed forces at the treatment of their arrested colleagues spreads, and with the installation of the new congress just a fortnight away, Peru's new politicians say it is time for national reconciliation.

Tension heightened at the weekend when the government took the unprecedented step of sending four leading generals, including the coup ringleader, retired Gen Jaime Salinas Sedo, to Lima's infamous Castro high-security prison.

"This is criminal," said Mr Javier Valle Riestra, acting defence counsel for Gen Salinas since his previous lawyer, Mr Alberto Borea, was banned from acting for his client last week by the military judge trying the case. Mr Borea is one of a number of civilians allegedly implicated in the aborted coup attempt of November 13.

"The four generals, and nine or 10 other senior officers, are held like common delinquents in a prison for drug traffickers and terrorists," Mr Valle Riestra said. "The only purpose can be to intimidate any other officers who have the same constitutionalist leanings."

Gen Salinas has justified the November 13 coup attempt in repeated statements smuggled out of his previous army detention centre. He claims Mr Fujimori's April 5 overturning of the 1979 constitution gave the armed forces the right and indeed the duty to rebel. His arguments have got support from consitutionalists and politicians. Gen Salinas has consistently denied Mr Fujimori's allegations that the plotters intended to assassinate the president. Sources close to senior Peruvian military men say the treatment meted out to the officers under arrest has angered their armed forces' colleagues. Army wives have protested that the interrogation of their husbands included torture at the hands of the national intelligence service.

Although the top military backed Mr Fujimori's April moves to dissolve congress, there have been rumblings of discontent in the middle ranks of all three services for some months. Low pay is a prime concern, as are recent modifications to internal promotion and retirement systems. Some officers at commander, major and captain level (who call themselves *Comaca*), have been circulating pamphlets accusing their superiors of "servility" to the government.

# Frei tipped to be Chile's next president

By Leslie Crawford in Santiago

THE outcome of the Chilean presidential elections in December 1993 was effectively settled this week with the announcement that Senator Eduardo Frei would be the Christian Democrat candidate.

Given the dominance of the Christian Democrats within the ruling centre-left coalition, and the sustained popularity of the present government, Mr Frei is almost certain to become Chile's next president.

Opinion polls out this week show Mr Frei way ahead of other presidential hopefuls. Almost 60 per cent of electors say they will vote for the candidate of the ruling coalition.

Although the 50-year-old senator is not a natural politician (he cuts a fairly dour and unexciting figure in public), he is blessed with the best political surname in Chile. His late father Eduardo Frei was a popular president who served two terms in the 1960s. Since Mr Frei's election as party leader last year, the Christian Democrat's professional political machine has been working on the former businessman to transform him into presidential material.

Ironically, his stiffest challenge will come from within the ruling coalition rather than the right-wing opposition. Mr Ricardo Lagos, a Socialist academic, left the post of education minister earlier this year to mount his own presidential bid. In many respects, his Spanish-style brand of socialism is more radical and free-market than the paternalism of the Christian Democrats, but few believe that he will risk splitting the ruling coalition by standing against Mr Frei.

Mr Lagos' strategy appears designed to give socialists the greatest possible say in formation of the next government. The biggest conservative party, Renovacion Nacional (National Renewal), has been embroiled in political infighting and a telephone tapping scandal that has all but destroyed its credibility with the electorate.

Most political observers believe the right will have to nominate a respected outsider to avoid too crushing a defeat in next year's elections.

Mr Carlos Caceres, a former minister of the military regime who played an important role in the transition to democracy, is widely tipped as the probable candidate. The only uncertainty in Chile's predictable political horizon concerns the length of the next presidential term.

Under the present Constitution, he is in for eight years. President Patricio Aylwin has offered to negotiate a constitutional amendment to shorten his successor's tenure in exchange for changes to the electoral system, which heavily over-represents the right-wing opposition. Opposition parties are mulling which is the lesser of two evils: a weaker presence in the next parliament or having a Christian Democrat president until the year 2002.

NEWS IN BRIEF

## US gives big debt relief to Salvador

EL SALVADOR'S 12-year-old civil war was formally proclaimed at an end yesterday as the US announced it would forgive a large share of the country's debts, write Damian Fraser in Mexico City and George Graham in Washington.

Vice-President Dan Quayle announced the debt relief yesterday in El Salvador at the official celebration of national reconciliation, which followed the final demobilisation of the former rebel army on Monday.

The US will forgive a total of $464m, representing 80 per cent of outstanding food credits and 70 per cent of development assistance credits. Interest on the rest will be payable in local currency for environmental or child-care programmes.

The forgiveness amounts to more than 20 per cent of total foreign debt of around $2.2bn, and will save an estimated $25m a year in debt service.

Under the terms of the January peace accord, the rebels, known by their Spanish initials FMLN, had agreed to demobilise by the end of October. This was extended to December 15 after disputes about land distribution and army reform.

From yesterday, the FMLN becomes a legal civilian political party, ready to compete in the 1994 presidential elections.

The Salvadorean Congress resolved on Monday final details of the peace accords, regarding changes to the electoral law, and judicial and political reform. ● The US Treasury announced smaller debt forgiveness packages for Chile, Uruguay and Colombia.

## Jamaica secures SDR109m credit

The International Monetary Fund has given Jamaica access to credits of SDR109.1m ($153m) under an extended fund facility to be drawn down by December 1995, writes Canute James in Kingston.

The Jamaican central bank said the money would support the government's medium term economic programme, and that the policies agreed with the IMF would be presented to parliament soon.

Mr P.J.Patterson, prime minister, said recently he expected the extended fund facility to be the last credit agreement Jamaica would have with the IMF. The island's depleted foreign reserves would have been rebuilt by 1995.

Jamaica has had several IMF credit agreements since the mid-1970s, and owed the Fund $337m at the end of last month.

## Immigrants pour into Canada

Almost 225,000 immigrants, the highest level since 1957, swelled Canada's total population to 27.2m last year, Robert Gibbens writes from Montreal. Statistics Canada said the rate of population increase was 1.5 per cent, the highest in the industrialised world. Europeans now represent only 25 per cent of total immigrants. Only 38,000 people left Canada during the year, the lowest figure in 30 years.

## LA alert after riot area clash

Police went on alert across Los Angeles after rocks and bottles were thrown from a crowd in an area that was a flashpoint in the spring riots, AP reports from Los Angeles. At least 12 people were injured and 60 arrested.

The disturbance was blamed by police on "organised groups" taking advantage of an earlier, peaceful protest.

## Incoming US administration flies conservative fiscal colours

Lloyd Bentsen at Little Rock: the US must put its fiscal house in order if it is to have credibility abroad

# Clinton favours a strong dollar

By Michael Prowse in Little Rock

A STRONG dollar and a relatively conservative fiscal policy seem likely to form a central part of the Clinton administration's strategy for improving long-term economic performance.

"I'm for a strong dollar," declared President-elect Bill Clinton during a debate about exchange rate policy at the economic conference in Little Rock, the capital of his state of Arkansas. Mr Clinton, however, added the proviso that the dollar could be strong in the long term only if supported by "the underlying competitive reality of our economy".

Mr Lloyd Bentsen, the Treasury secretary designate, said he wanted the US to "reinvigorate" the Group of Seven club of leading industrial countries and help find ways of stimulating growth in Europe and Japan. But he signalled that the US would not have credibility abroad unless it put its fiscal house in order.

Mr Clinton's remarks on the dollar were a response to Professor Rudi Dornbusch of the Massachusetts Institute of Technology, who urged a substantial devaluation of the dollar against Asian currencies over the next three years. Mr Dornbusch said financial markets were likely to anticipate a stronger dollar as the US economy recovered but that "we cannot afford that".

Mr Dornbusch said a devaluation against Asian currencies was as necessary today as was the devaluation of the dollar against European currencies in the 1970s following the collapse of the Bretton Woods exchange rate system.

Mr Clinton, however, seemed to lean towards the position of another speaker Mr Jeffrey Garten, a professor at Columbia University, who said a weak dollar was a "quick fix that doesn't work". Mr Garten pointed to the example of Germany and Japan as countries that remained competitive despite long-term currency appreciation.

Mr Bentsen seemed unimpressed by a call from Prof James Tobin, the Nobel laureate from Yale University, for a fiscal stimulus of $60bn a year for the next two years. "I've become much more sympathetic to the executive arm of government recently," he said.

Mr Robert Rubin, nominated as head of the new White House National Economic Council, pointedly asked Prof Tobin what impact a big fiscal stimulus would have on business confidence and long-term bond yields. Most financial market analysts fear the impact would be negative on both counts.

Mr Leon Panetta, the budget director designate, said Congress "loves to pass the sugar but hates the vinegar". Any fiscal stimulus thus had to be tied into a long-term deficit reduction programme.

Mr Clinton said reducing the growth of health care costs was the key to long-term deficit reduction. This had to be a priority in the first six months.

On regulatory and environmental policy, Mr Clinton said: "my strong preference is for market incentives over command and control." He added that he did not intend to "micro-manage" the economy, having been on the receiving end of oppressive federal regulations as a state governor. "I know what it is like to be governed."

## Vodafone group wins Australian licence

By Daniel Green

AUSTRALIA has awarded an operator's licence for a mobile telephone network to a group owned by Vodafone of the UK.

The Vodafone group, called Arena GSM, becomes the third licence-holder for Australia, one of the fastest growing markets in the world.

Arena GSM is paying A$140m for the licence and intends to invest another A$400m in the project.

It beat off three other short-listed companies: Singapore Telecom and two local operators Matrix Telecommunications and Voxson.

The new service is scheduled to start by next October and must be available to 80 per cent of the population by the end of 1996, according to the terms of the licence.

The latter also requires Australian interests to control more than half of Arena GSM by 2003. Vodafone said it would wait until the business was profitable – at least three years after the start of services - before reducing its 95 per cent stake.

Arena GSM will be competing against existing licence-holders, Optus Communications and the state-owned Australian and Overseas Telecommunications Corporation.

Mr Bob Collins, Australia's communications minister, said that no more licences would be issued until 1997.

The infrastructure for the new network is likely to be supplied either by Ericsson or Sweden or Finland's Nokia. It will be based on the GSM digital standard, the same as that used in a pan-European mobile network now being built.

Vodafone, which a decade ago became one of the two original licensees for the UK's mobile telephone network, is also bidding for Germany's third mobile telecommunications licence. The result could be made public before the end of this month, said Vodafone.

Vodafone – see Lex

# Indonesian power project stalls

By William Keeling in Jakarta

NEGOTIATIONS have stalled between the Indonesian government and Mission Energy of the US over a $2bn power project, jeopardising government plans to attract private sector investment into the national grid, industry officials say.

In May, the government asked Mission Energy to form a consortium to build, own and operate two 600MW coal-powered units at Paiton in East Java. It would be the first private sector power plant linked to the national grid.

About $30bn of investment in power is required by the end of the decade to keep pace with demand and the Paiton project is central to government plans to raise a third of the total in the private sector.

Industry officials say, however, that three rounds of negotiations from August to November between the government and the Mission Energy consortium – which includes Mitsui of Japan, General Electric of the US and Batu Hitam Perkasa, an Indonesian coal mining company – have resulted in impasse.

The government has withdrawn a draft implementation agreement upon which Mission Energy made its original bid and which the consortium requires to raise offshore finance. That agreement covers items such as *force majeure* risk, payment guarantees and dispute settlement rules.

Instead, government officials indicate that a "comfort letter" of support but falling short of a sovereign guarantee will be provided. There are doubts whether this will satisfy prospective financiers.

Some industry officials believe the project's problems are more deep-rooted. "President Suharto gave his commitment to Paiton in 1990, but other government officials have been more reticent. No official has either the authority or the will to make the necessary decisions to carry the project forward," said one.

Mission's bid technically lapses on December 31 and the company is reportedly keen to raise its cost estimates following reappraisal of the fuel efficiency of its coal supply.

Any change in the bid, however, may cause further delays. Presidential elections and a cabinet reshuffle in March are also likely to obstruct an early resolution to the impasse.

Negotiations for the plant are now unlikely to be concluded until late next year, conceded one government official. This could disillusion bankers and possibly lead to Mission Energy's withdrawal from the project, officials say.

# Mongolia's credit rating put at risk over debt to Japanese

By Robert Thomson in Tokyo

THE Mongolian government is under increasing pressure to repay an instalment on a Japanese government-backed Y8bn (£42m) loan for a steel mill project that threatens to undermine its international credit rating.

Should it fail to repay about Y1bn, due yesterday, Japan, which takes a tough line on non-repayment, is likely to increase trade insurance costs for dealing with Mongolia, now taking tentative steps towards developing new industries.

Funds were provided two years ago by the Export-Import Bank of Japan to buy steel equipment through Itochu, the Japanese trading house, which must repay the funds to the bank and is waiting on Mongolia.

Itochu said last night "we are not yet worried", although Mongolia is reported to be having difficulty raising the hard-currency. Reports suggest payments have been delayed to Russian workers on the site at Darkhan, in the north.

"We are in contact with our Mongolian office and we will not be uneasy unless there is a delay for half a year or more. Even though Mongolia has difficulties, they can afford to pay this money," the trading house said.

Itochu has taken out trade insurance with the Ministry of International Trade and Industry, which said that "there should be no problem if the payment delay is not too long".

If Mongolia is unable to pay, the Japanese government will be put in an awkward position, as it has taken a lead in encouraging the country's development since its emergence from Moscow's political influence.

Mongolia relies heavily on help from Japan, which has indicated that it will provide $50m in credits for a range of projects including a coal mine, infrastructure development and a textile plant.

## Hitachi and GE link up on lighting

By Charles Leadbeater in Tokyo

GENERAL Electric of the US and Hitachi, two of the world's biggest electrical and industrial combines, yesterday announced a lighting equipment joint-venture to be based in Tokyo.

The two, which already co-operate in manufacturing heavy-duty power generation equipment, are to set up Hitachi GE Lighting, headed by a top GE executive in Japan, Mr Edward Neikeisel.

It will provide GE with access to Hitachi's extensive Japanese network of distributors, while Hitachi will gain access to the US group's advanced lighting technology. The venture will be the principal route for sales of GE and Hitachi lights for commercial, industrial and automotive markets in Japan.

GE said the venture would become a big importer of light bulbs into Japan via a specially designed import centre which will handle quality control and customer service.

Hitachi will also be able to use the venture to export its lighting products via GE's overseas sales network.

# Mexico hails doctor's release

By Damian Fraser in Mexico City

MEXICO'S ambassador to the US said yesterday he was "profoundly satisfied" by the release of Dr Humberto Alvarez Machain, accused of aiding the torture and murder of an agent of the US Drug Enforcement Agency.

Mr Gustavo Gustaco Petrocelli said: "There can be no doubt that it was one of the problems contaminating our relations with the US, which we want to be respectful and mature."

Earlier, AP reported from Los Angeles that Dr Alvarez Machain had been put on a flight to Mexico.

The doctor, who was released on Monday after a Los Angeles judge ruled there was insufficient evidence against him, was kidnapped by agents working for the DEA in 1990 to stand trial.

Mexico's foreign ministry said the release "does not resolve the problem that arose in bilateral relations" and would push for kidnappings to be made illegal under the US-Mexico extradition treaty.

# Japan makes haste slowly in Vietnam

## Victor Mallet tracks a cautious commitment ahead of the west

THE popular Vietnamese word for motorcycle is "honda": while the US agonises about restoring relations with Hanoi, Japanese and other Asian companies are deepening their involvement in the Vietnamese economy as it emerges from decades of war and poverty.

American corporations will take heart from President George Bush's move on Monday to allow them to open offices and sign (but not execute) contracts in Vietnam, but the Japanese are several steps ahead. Not only are they fulfilling contracts and doing an increasing amount of business in Vietnam, they are already profiting from the renewal of Japanese aid.

Five weeks before Mr Bush's announcement, and three days after the US presidential election, Japan quietly arranged a loan package of Y45.5bn (£240m) to pay off some of Vietnam's debt arrears to Japan and to finance Vietnamese imports. Japanese project aid for the repair of roads, ports and other infrastructure is expected to follow.

Japanese trading companies are already working with Vietnamese officials and Japanese consultants and construction companies to prepare project proposals which could benefit from future Japanese aid.

"Now we are working for next year or the year after next," says Mr Shuichi Yamamoto, deputy general manager of Sumitomo's operations in Vietnam.

This year is busy enough. Japanese companies are importing to Vietnam everything from monosodium glutamate and baby milk powder to chemicals and steel, and exporting crude oil, coal, seafood and textiles to Japan.

Except in the oil industry, Japanese companies have so far been cautious about commiting themselves to investment in Vietnam, and Taiwan and Hong Kong have emerged as the most active foreign investors.

Japanese businessmen, however, say they are considering investments in petrochemicals, power plants, property development and manufacturing.

In a small way, the Japanese are already investing in manufacturing. Sumitomo, for example, is participating in a $1m-plus joint venture with Vietnamese and Malaysian partners to modernise a factory producing polypropylene sacks in the port of Haiphong, while Marubeni and other Japanese investors are taking a share in a $4m instant noodle factory.

The Japanese do not hide their enthusiasm for the skills and dedication – and low wages – of Vietnamese workers, and motor manufacturers are known to be interested in establishing plants in Vietnam to add to the small assembly operations already in existence in the country.

But it is not all plain sailing. Foreign companies in general, and Japanese companies in particular, face an array of obstacles when it comes to doing business in Vietnam:

● The Japanese government and Japanese companies are still anxious not to offend the US by undertaking high-profile projects in Vietnam. However, some businessmen regard this as an old-fashioned view now that Vietnam has withdrawn its troops from Cambodia and helped the US trace American servicemen who went missing in action during the Vietnam war.

"Before, people were afraid of America, but now nobody's afraid," says Sumitomo's Mr Yamamoto. Mr Masao Hirooka of Mitsui disagrees. "We must still be very, very cautious," he says. Mr Tsuyoshi Tanaka of Itochu points out that the Japanese government itself is moving cautiously and has "only the one foot" in the Vietnamese door.

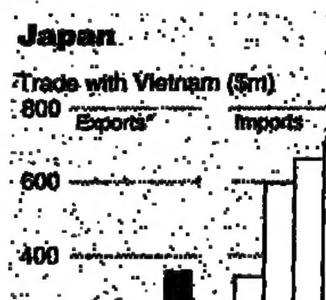
● Business for everyone is restricted by the poor state of Vietnam's infrastructure. For example the south, where most industry is located, suffers from a severe shortage of electricity. Funds from the World Bank, the International Monetary Fund and the Asian Development Bank, currently blocked by Washington, are urgently needed.

Itochu found that Vietnamese white sand for export could compete with Australian sand on the price of the product alone, but transport costs were prohibitive because Vietnam's southern ports can only accommodate small ships and loading equipment is poor.

● Japanese and other businessmen frequently complain about inadequate commercial laws and the Vietnamese tendency to renege on contracts. "I have suffered so much, normally from non-delivery," says Mr Yamamoto.

● Japanese companies find their business restricted by hundreds of millions of dollars of bad debts owed by Vietnamese importers. The debts date back to the period before late-1990.

Japan
Trade with Vietnam ($m)




†Jan-Oct
*Do not include goods shipped via Singapore, Hong Kong and other centres
Source: Japan Ministry of Finance

Japanese companies seeking market share offered credit of up to two years – some still do – but many letters of credit were not honoured; since 1990 letters of credit have generally been honoured, but most of the arrears and accumulated interest have yet to be paid off.

● Smuggling, often from Thailand or Singapore by way of Cambodia, undermines investment plans. Instead of building factories in Vietnam, Japanese companies make sure their wholesalers on the Thai-Cambodian border are well supplied.

Add to these problems the lack of international schools and golf courses – about which Japanese expatriates in Ho Chi Minh City complain bitterly – and one might forgive the Japanese for throwing up their hands in despair and going home.

Needless to say, they are doing nothing of the sort. Working closely with the government in Tokyo, they are seeking to have the infrastructure repaired and the bad debts paid off so they can really get down to business.

Apart from American businessmen themselves, it is the Vietnamese who are the keenest to see the Americans return and rescue Vietnam from Japanese dominance. Some of them are almost alarmed by the dedication with which Japanese officials and businessmen are staking their claims in Vietnam.

"They take time because they are not in a hurry, because sooner or later they will be the first, the best, but maybe the most disliked," says one Vietnamese banker.

# Round and round go the Uruguay trade reform negotiators

By Frances Williams in Geneva

GATT

URUGUAY round negotiators are all dressed up and ready to go but someone has called off the party. They winged their way to Geneva from all quarters of the globe earlier this month in the expectation of stitching up the final deals by Christmas. But the trade officials, meeting in the multilateral round of talks under the General Agreement on Tariffs and Trade, are wondering when the real end-game will begin.

Hopes were raised high at the end of last month that the last lap had been entered when US and EC trade negotiators resolved a year-long clash over reform of farm trade. But it now seems clear that there will be no accord, even on a provisional basis, by the end of the year.

However, negotiators have not given up hope that the wide-ranging talks, spanning 15 broad trade areas, 28 separate accords and detailed country commitments to open markets for specific goods and services, will be completed before the US administration's negotiating authority from Congress expires next March.

Since the US-EC settlement last month, governments involved in the 108-nation round have had to make up their minds whether to push for changes to last December's draft "final act" which sets out the rules to govern world trade for the rest of the decade and beyond.

Many countries have problems with aspects of the text – but too much tinkering could upset the delicate balance in the package between different national and sectoral interests. Mr Arthur Dunkel, director-general of the Gatt, has said the draft can only be changed by consensus.

That has not inhibited the US from raising a host of difficulties, to the annoyance of trading partners. The EC, exhausted from internal wranglings over its farm trade deal with Washington, does not much want to renegotiate anything beyond agriculture.

To add to the confusion, all sides are indulging in a certain amount of posturing to show the folks back home they are fighting their corner. But amid the fog, the state of play in the negotiations can be dimly discerned:

● Agriculture: The main dispute concerns plans to convert all farm import barriers into tariffs which would be reduced over time – "tariffication without exception". This is opposed by Japan and South Korea, which want to keep their rice import bans, and by Canada, Switzerland and others which operate farm supply management systems. They privately acknowledge that they have no chance of winning their case – but they still hope to secure compensating concessions.

● Market access: These country-by-country negotiations, designed to cut overall tariffs by at least 30 per cent, have been delayed as negotiating teams have waited for the EC to present a draft list of new farm tariffs.

Meanwhile Washington and Brussels have still not settled arguments over industrial tariffs. The EC is holding out for reductions in very high US tariffs on textiles, ceramics and dyestuffs, while the US is pressing for zero-for-zero deals on wood and paper products, non-ferrous metals, electronics, fish and alcoholic drinks.

● Anti-dumping and anti-subsidy rules: The US says it wants to re-open these texts, which would tighten the rules for imposing anti-dumping and countervailing duties on dumped imports that inflict injury on domestic companies. Japan and other Asian exporters argue that industrial countries are using such duties to harass legitimate trade.

● Intellectual property: The US wants to strengthen protection granted to pharmaceutical patents in developing countries. India has already served notice that it would then press for faster liberalisation in the textiles sector while the US is being urged by its textiles lobby to push back the dismantling of the quota-driven protectionism of the multi-fibre arrangement (MFA) from the proposed 10 to 15 years.

● Services: The framework General Agreement on Trade in Services could be complete by the end of this week, according to Gatt officials. But the complex bilateral negotiations on reform of different services sectors and specific market-opening measures are going slowly.

The US and EC are pressing Japan and Asian developing countries to go further in liberalising financial services, while they continue to battle between themselves over EC restrictions on imports of US and other foreign audiovisual services such as films, videos and TV programmes.

● Multilateral trade organisation: The US has questioned the need for an MTO to implement the results of the round and give world trade rules the status of international law.

It remains tantalisingly unknown which of these problems are for real, which are being raised principally for domestic consumption, and which can be successfully renegotiated. But the uncertainty makes it almost impossible for frustrated negotiators to decide whether they should be making a final push for settlement, or packing for Christmas.

# Major cautious on increased UK involvement in Bosnia

By Philip Stephens, Political Editor

THE BRITISH government's growing concern at the prospect of military entanglement in Bosnia emerged yesterday as Mr John Major reacted cautiously to calls for enforcement of the United Nations no-fly zone over the former Yugoslav republic.

As the international momentum builds for much tougher action against Serbian forces, senior ministers are engaged in an intense debate about the political and military risks facing the government.

Some of Mr Major's colleagues – notably Mr Douglas Hurd, the foreign secretary – are concerned that without further restraint Serbia will become increasingly confident in its dismissal of international pressure.

Mr Hurd's assessment is that the combination of sanctions and public condemnation so far has done little if anything to curb the territorial ambitions of the Serbs. The result could be the spread of the present conflict in Bosnia to Macedonia and Kosovo. That in turn would spark a full-scale war in the Balkans.

His fears are shared by many ministerial colleagues. But there is a substantial voice in the cabinet arguing also that Britain cannot risk the lives of 2,400 British ground troops which would result from a decision by the UN to shoot down Serbian aircraft in the No-Fly zone. As one minister put it: "American planes can safely shoot risks down Serbian helicopters. They could not prevent the Serbs from retaliating against our ground forces".

The most cautious in the cabinet argue also that there is no political pressure on the government to risk the lives of British troops.

This cabinet tension was evident yesterday when Mr John Smith, leader of the Labour opposition, pressed Mr Major in the House of Commons to join the US and France in seeking a UN mandate to allow force to halt Serbian flights.

Mr Major – who will discuss the crisis in weekend talks in Washington with President George Bush – was careful not to dismiss the possibility of a new UN resolution. His officials regard it as inevitable. But by emphasising the risks – both to the UN humanitarian effort and the lives of British troops – he underlined that Britain favours a steady increase in pressure on Serbia rather than an immediate "shoot-to-kill" policy against Serbian aircraft.

The prime minister will also suggest to President Bush other ways to put pressure on the Serbs. UK officials have been drawing up plans to intensify sanctions – possibly including the breaking of telecommunications links and the de-recognition of Serbian diplomats.

Some ministers believe that there is a strong moral case to break from traditional international practice and agree to arm the Bosnians, whose equipment is far inferior to that of the Serbs.

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# Nissan to raise UK production by 50%

By Kevin Done, Motor Industry Correspondent

NISSAN Motor, the Japanese carmaker, yesterday announced plans to raise output at its UK assembly plant by 50 per cent next year.

Plans for increased production at its £900m plant at Sunderland, north east England, follow a 43.5 per cent rise in output this year to 179,000 cars from 124,700 in 1991, according to Mr Ian Gibson, managing director of Nissan Motor Manufacturing UK.

Of the 270,000 cars which Nissan expects to manufacture next year, 84 per cent of the output will be exported, he added.

Mr Gibson also said productivity at the Sunderland plant for the Primera model was now slightly ahead of Nissan's sister plant in Japan. Productivity for the Primera had been improved by 8 per cent this year with the hours per car reduced by one hour to 12.5 hours.

The Sunderland assembly plant will buy components worth around £850m in Europe next year, of which some 77 per cent would be purchased in the UK. The plant has 195 suppliers in Europe of which 126 are in Britain.

The announcement of increased output at Nissan coincided with plans by Rover, the motor manufacturer owned by British Aerospace, to introduce a second shift early next year at its assembly plant at Oxford, where it is aims to increase output in 1993 by around 50 per cent.

Rover is expected to begin volume production in February of a new large family saloon car, the Rover 600.

The new range, which will effectively replace the outdated Montego launched in 1984, will be added to output of the existing Rover 800 executive car at the plant.

The Rover 600 has been largely developed by Honda of Japan, which owns a 20 per cent stake in the Rover vehicle operations. The Japanese car maker began production in October of the sister car, the Honda Accord, at its £370m Swindon car plant.

# Sharp increase in producer prices fuels inflation fear

By Emma Tucker, Economics Staff

A SHARP RISE in the prices of raw materials used by UK industry last month has fuelled fears that inflationary pressures are building up in the UK economy.

Producer input prices rose a seasonally adjusted 2.4 per cent in November compared with October, the biggest monthly rise since October 1976. Compared with a year ago, the rise in input prices was 4.1 per cent.

The increase in imported goods' prices was much higher than expected by the City and may explain why Mr Norman Lamont, chancellor of the exchequer, has been reluctant to cut bank base rates from *their current 7 per cent level*, in spite of demands for lower interest rates from members of the new panel of independent economists named last week to advise the Treasury.

Yesterday, a survey of the retail sector from the Confederation of British Industry showed that the rising cost of imported goods has yet to affect shop prices.

In its last distributive trades survey before Christmas, the

**A small 0.3 per cent rise in manufacturing output in October was fuelled by buoyant growth in the chemicals and electrical engineering sectors.**

**The boost to the chemicals sector came mainly from strong export growth, while output was higher across the electrical engineering sector.**

**This was the first rise in manufacturing output since June, although production has maintained roughly the same level since the beginning of the year. The latest official figures confirm that overall, factory production remains flat.**

CBI said retail sales volumes fell in November compared with the previous month, but that this masked a stronger *performance by big retailers* than by small retailers.

Since September, when Britain left the European exchange rate mechanism and sterling devalued, the annual rate of producer price inflation has risen to 4.1 per cent from zero.

The figures from the Central Statistical Office yesterday showed that prices of raw materials and fuel rose at their highest rate since December 1989. Until September prices fell in almost every month this year.

The trend in prices for manufactured goods suggested that manufacturers have so far absorbed the higher prices of imported raw materials.

Producer output prices rose by a seasonally adjusted 3.3 per cent in the year to November, unchanged on the October figure.

Excluding the volatile prices of food, drink and tobacco the index rose by 2.4 per cent compared with the same month a year ago, the lowest annual rate of increase since April 1969.

Mr Robin Cook, the opposition Labour party's trade and industry spokesman, said the latest news on the economy *contrasted with the more optimistic* tone taken recently by government ministers, and Tory pre-election predictions of economic growth.

"They show just how far from recovery this country is, and just how far removed from reality this cabinet has become," he said.

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## Retail sector performance


| Per cent balances | Nov | Dec | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Retail total | 8 | -7 | 13 | 9 | 16 | 18 | 22 | 12 | -18 | -24 | 7 | -18 | -18 |
| Grocers | 67 | 43 | 46 | 30 | 38 | 60 | 48 | 10 | 3 | 0 | 1 | 19 | 2 |
| Specialist food | 23 | -6 | -38 | -52 | 16 | -30 | -15 | -62 | -54 | -65 | -50 | -28 | -24 |
| Off licence | -26 | -34 | -59 | 0 | -12 | -13 | -8 | 10 | -3 | -88 | -100 | -56 | -47 |
| Clothing | 47 | -9 | 56 | 54 | -24 | -2 | 21 | 8 | -25 | -27 | 42 | -6 | -16 |
| Footwear and leather | -15 | -44 | 77 | 48 | -93 | -4 | 33 | 1 | -30 | 68 | 39 | -49 | -11 |
| Durable household goods | -5 | -23 | 10 | -6 | -26 | 26 | -33 | -60 | -10 | -2 | -11 | -1 | -10 |
| Furniture and carpets | 15 | 56 | -7 | -53 | 4 | 70 | -33 | -2 | -43 | 33 | 48 | -12 | 15 |
| Hardware, china & DIY | -20 | -13 | -7 | 6 | -22 | -5 | 36 | -10 | -28 | -22 | -62 | 11 | -38 |
| Confectionery | 36 | -15 | -15 | 58 | 9 | 82 | 4 | 39 | 26 | -57 | 37 | 4 | 0 |
| Booksellers & stationers | -32 | -48 | 6 | 19 | -27 | -28 | -28 | -61 | -9 | -18 | -1 | -39 | -53 |
| Chemists | 37 | 26 | 4 | 28 | 18 | 72 | 66 | 62 | 36 | 20 | -28 | 58 | 79 |
| Other retail | -24 | -24 | 38 | 23 | -45 | -44 | 12 | 30 | 13 | -5 | 5 | -23 | -44 |
| Motor trades | -50 | -47 | -42 | -48 | -43 | -1 | -8 | -17 | -44 | 15 | -33 | -30 | -31 |

Source: CBI Distributive Trades Survey
Figures are balances: the numbers of traders reporting sales increases on a year ago, less those reporting decreases

# Legal confusion threatens competitive tendering plan

By Andrew Adonis

LEGAL confusion is threatening the government's plans to extend competitive tendering in local government, according to companies and councils involved. The problem concerns the status of employees' terms and conditions when contracts change hands.

At least two local authorities have had their tendering plans thrown into disarray in the last week alone by disputes over the law on the transfer of "undertakings" – agreements covering staff conditions.

Initial Cleaning Services, a private contractor for local authority work, said the uncertainty could "destroy the government's competitive tendering programme".

Mr Rodney Brooke, secretary of the Labour-run Association of Metropolitan Authorities, said: "Local councils are between the devil and the deep blue sea: if they seek to transfer undertakings, they risk government penalties, if they don't they risk being sued by their employees."

The Institute of Directors wants the government not only to clarify the existing position, but to seek changes in the EC directive on employees' acquired rights.

The government insists that "as a general rule" regulations on undertakings do not apply to local authorities despite recent court decisions.

The government believes new employers do not inherit the terms and conditions of employees who used to do the job for the local authority. However, several local authorities believe that new contracts must respect former employees' rights.

# Bank chief counters criticism on lending

By John Gapper, Banking Correspondent

THE chairman of Midland Bank, one of Britain's main clearers, yesterday warned Mr Norman Lamont, the chancellor of the exchequer, that "unfounded criticism" of banks over their small business lending could impair their ability to fund companies.

Sir Peter Walters told Mr Lamont that the banks had the capacity to finance business expansion when an economic recovery started, but that criticism would damage their ability to do so.

It was the first formal meeting of a series planned this week between bank chairmen and Mr Lamont since the chancellor said he wanted to meet banks to ensure they were passing on the full amount of base rate cuts in lending margins.

Midland said Sir Peter had told the chancellor that its margins on lending to 500,000 small business customers had narrowed over the past year, and were now below 3 per cent percentage points above base rate.

The lending margins of 13 per cent of small business borrowers had narrowed by more than half a percentage point, while the margins of 12 per cent had increased by more than half a percentage point.

The Bank of England, meanwhile, has completed its survey of banks' small business lending margins based on the eight largest banks, and has submitted the results to the Treasury. The result may be announced following Mr Lamont's meetings.

# Customs to publish VAT trade guide

HM CUSTOMS & Excise is shortly to issue details of simplified administrative arrangements for businesses trading with other EC countries, writes Andrew Jack.

The guidance follows successful talks to reduce the red-tape associated with "triangulation", in which goods or payments between a supplier in one EC country and a customer in another pass through an agent in a third.

Under initial EC plans, that agent would have had to be registered for VAT, account for tax and submit statistical documents in every country with which it did business. But EC finance ministers agreed this week to the wording of a simplification directive to reduce the burdens *on business this* would have imposed.

# Coal plans due by February

By David Lascelles, Resources Editor

THE government intends to put forward fresh proposals for the coal industry in late January or early February, according to Mr Michael Heseltine, trade and industry secretary.

He told a Commons select committee last night that he hoped MPs would have time to debate the proposals before March 31. That is the date by which British Coal must negotiate new long-term contracts with the electricity industry to replace those that are expiring.

Mr Heseltine assured MPs that no pits would be closed irrevocably before the energy review had been completed. "I hope events will come together in a way that will provide an opportunity for debate."

Mr Heseltine are worried that British *Coal will shut pits or refuse to* licence them to others for fear of creating competition for its own operations. Mr Heseltine agreed that there was a potential conflict of interest and said he might become involved in decisions in this area. But he warned that any steps to enlarge the coal industry would take into account available markets for coal.

Heseltine: assured MPs

The electricity industry was free to sign new long-term contracts in the meantime, he said. He questioned whether generators should be permitted to lock in profit margins while there were still questions over whether the full cost savings of cheaper coal were being passed through. These contracts would have to be capable of amendment after the white paper, he said.

Pressed by MPs for his views on possible options to save the coal industry, Mr Heseltine said that many of them would have knock-on effects in other sectors, such as gas. He was dismissive of a proposed energy commission because it could be manipulated by powerful interest groups. He also said he would be reluctant to oblige *generators to hold* larger stocks of coal.

# New rules for transport funding

By Alison Smith

THE rules on allocating money for regional road and transport schemes will be changed, enabling local authorities to submit joint bids for big projects, Mr John MacGregor, transport secretary, said yesterday.

The move follows an agreed approach in deciding transport priorities for next year from seven local authorities in central England.

Mr MacGregor told MPs that he would begin consulting the local authorities about bringing in the new arrangements in time for spending bids in 1994-95. They are intended to allow some flexibility between the local grant allocated for capital spending on roads and that for public transport.

The announcement came as Mr MacGregor gave details of how the £1,047m for capital spending on local roads in 1993-94 would be spent. Some £473m is already earmarked for existing commitments, but 41 big new schemes will be started at a cost of £93m.

Mr MacGregor said that the settlement "clearly demonstrates the government's priority of *maintaining strong capital* investment".

# Britain in brief

## Farm minister criticised over garden help

**Mr John Gummer, agriculture minister, has been supported by Downing Street after insisting that there had been no impropriety in accepting improvements worth £2,600 to the grounds of his country house from one of the UK's largest food companies.**

**Labour MPs have tabled Commons questions seeking further details of the landscaping of a pond paid for by Hillsdown Holdings, as part of the sponsorship of a mini-agricultural show to coincide with a lunch for EC agriculture ministers held in September.**

## Lawyers offer pay freeze

**Lawyers in England and Wales have offered to accept a legal aid pay freeze next year if the government withdraws proposals outlined in the autumn economic statement to cut eligibility for the state-funded legal advice system.**

## Sunday trade ruling today

**The European Court of Justice will today rule on three cases which seek verification of the 1950 Shops Act which outlaws most Sunday trading in England and Wales. Six retailers claim the act is illegal under EC rules prohibiting restrictions on cross-border trade.**

## Ulster watchdog

**An independent assessor of the procedures for dealing with complaints against the military has been appointed in Northern Ireland, the government announced yesterday. The move follows pressure for greater protection against the possible abuse of human rights perpetrated by troops in the province.**

## BA strike off

**British Airways staff at Gatwick airport called off a strike due yesterday. BA said staff previously employed by Dan-Air – who had faced a pay cut – had been offered compensation to change their rates of pay, or could remain on present terms and conditions if they chose.**

## Scots win loan

**The European Investment Bank is to lend Strathclyde Region in Scotland £100m to improve roads, water supply and waste water treatment facilities.**

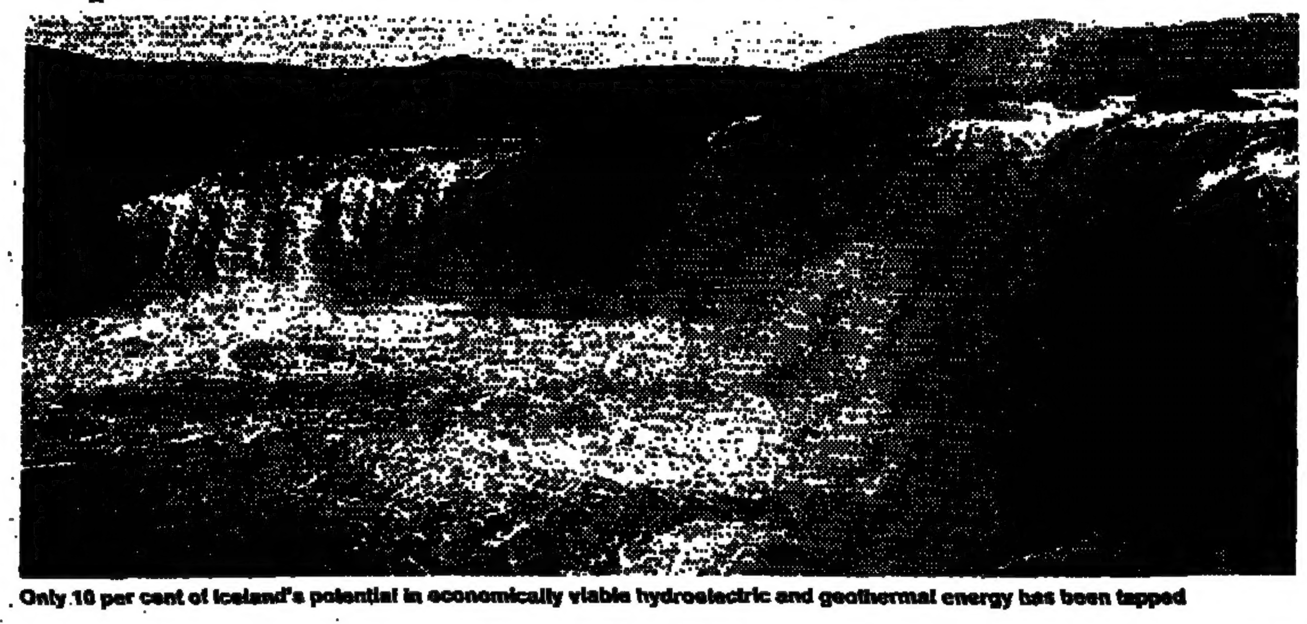
## FT readership

**More industrial leaders read the Financial Times than any other newspaper according to a Mori survey of chairman, managing directors and other main board directors of Britain's 500 largest companies.**

**The FT's regular readership among leading industrialists increased from 81 per cent to 92 per cent. The Times was second with 42 per cent.**

# Purity in a cold climate

## Icelandic companies are trying to capitalise on a pollution-free environment, writes Robert Corzine



Only 10 per cent of Iceland's potential in economically viable hydroelectric and geothermal energy has been tapped

Bacteria which originated with the Vikings and 2,000-year-old water may seem an odd combination on which to build a modern export-oriented food industry.

But skyr, a thick yoghurt-like product first made by Iceland's early Viking inhabitants and bottled water from glaciers are just two elements of an ambitious effort by Icelandic companies and government to exploit the country's status as one of world's most pollution-free environments.

The strategy stems in large part from a sharp fall in recent years of the cod catch – the mainstay of Iceland's post-war economy – and the subsequent pressure on the government to develop alternative export industries.

Efforts at export diversification have also emerged from private-sector companies frustrated at the small size of Iceland's domestic market.

New ideas range from massive power generation schemes to natural food products and health spas. The common thread is that all capitalise on Iceland's enviable environmental credentials and all are aimed at the growing international demand for products and services that are "pure" or non-polluting.

Government efforts have concentrated on promoting Iceland's potential for generating large amounts of cheap electricity through clean and renewable means.

Only 10 per cent of Iceland's economically viable hydroelectric and geothermal potential has been tapped, according to Landsvirkjun, the national power company. It estimates that the average cost of power from future hydro development for mainly industrial users would be lower in Iceland than elsewhere, including large projects such as Itaipu in Brazil and James Bay in Canada.

The government's priority is to lure energy-intensive industrial users, such as aluminium smelters and other metal industries. It emphasises, however, that any developments would have to adhere to strict environmental standards, the costs of which it believes will be offset by secure access to cheap electricity.

Landsvirkjun officials believe Iceland could also be a competitive European site for the production of non-polluting hydrogen fuel for vehicles, another energy-intensive process.

Research has also been conducted into the direct export of electricity to mainland Europe. A detailed study of the likely performance of a proposed 500MW, 950km-long direct current submarine cable to Scotland will be completed by the end of the year.

Landsvirkjun officials believe most technical obstacles can be overcome, and that power from such a cable would be competitive in the UK electricity market, even against relatively low-cost natural gas-fired plants. The possible imposition by the European Community of a carbon tax amounting to $10 per barrel of oil equivalent would further enhance the competitiveness of the project, the officials say.

They concede, however, that the unusual depth (up to 1,000 metres) and length of the £1bn submarine cable, its high initial capital cost and the long lead-time needed to build additional dams, power plants and the cable itself considerably increase the risk profile of the project.

But the officials believe their greatest advantage lies in growing public opinion in western Europe favouring electricity that is generated without adding to greenhouse gases, but without having to resort to nuclear power.

Iceland is also hoping to sell its extensive experience in using geothermal energy, which accounts for a third of the country's total energy consumption and provides most of its space heating and hot water needs as well as some electricity production.

Marketing efforts have been directed mainly at eastern Europe, with particular emphasis on Russia's Kamchatka Peninsula, which Icelandic officials say has tremendous geothermal potential.

Private-sector attempts to capitalise on Iceland's environmental reputation are more modest but are generally closer to fruition.

The food and drink industry has been a market leader in exploiting the "cold, clean and pure international image of Iceland," according to Porarinn E. Sveninsson, the director of the Akva spring water company based in the northern town of Akureyri.

It has recently begun selling bottled water in selected northeastern states of the US, even though the competition from domestic and European producers is fierce.

Sol, a Reykjavik-based food and drink producer, also sells bottled water in the US and Europe. But in addition it has succeeded in entering the market for "New Age" soft drinks, which eschew the use of chemical preservatives and which place a premium on pure ingredients, especially water.

David Thornsteinsson, Sol's chairman, cites the success of the Icelandic-canned Seltzer brand of fruit-flavoured drinks in the UK. Sales of the drinks rose from $900,000 in 1990 to an estimated $2.9m (£1.90m) this year, confirmation, Thornsteinsson says, that consumers are willing to pay a premium for assured purity of ingredients.

He rejects suggestions that competitors could emulate Seltzer's success by shipping Iceland's glacial water in bulk to bottling plants elsewhere. "The tanks and the need to process it at the other end would alter the taste too much", he says. "Besides, Iceland enjoys inexpensive back haul freight rates to the US and Europe, so the cost of shipping the finished product is minimal."

Icelanders believe there could also be potential to emphasise the natural qualities of more traditional food products, such as the country's distinctively-flavoured free range lamb. Those raised along the coasts have a diet consisting mainly of moss and seaweed, while those reared in mountain pastures eat mainly herbs.

A study on establishing a big health centre in Reykjavik is under way, according to Markús Orn Antonsson, the city's mayor, who believes the absence of air and water pollution will appeal to European, and especially German tourists.

# Business in the rainforest

THE FINANCE director, specially clad for the occasion in ski jacket, jeans and trainers, explained management-employee relations at his factory. "People work when and if they want to – including the children."

The Kayapo Indians of A-Ukre village, deep in the Amazonian rainforest – all 238 of them – are founding members of the A-Ukre Trading Company, which harvests Brazil nuts to produce oil for export to the UK.

The company was set up in 1990 and last year exported its first production run of 1,500 kilos of virgin cold-pressed oil. This year, about 5,500 kilos are expected. The Body Shop has contracted to buy whatever is produced, for use in hair conditioners.

The factory is run as a co-operative – everyone earns the same rate and everyone pitches in, says Bephoti, finance director and A-Ukre warrior. "They like it because Brazil nut oil production does not destroy the forest or ruin the rivers. When our children are our age they will still be able to make and sell oil," he says.

After wages, the income goes into a community fund to pay for medical treatment, fishing hooks, hunting ammunition, and maintenance and fuel costs for fishing boats and an aeroplane – to make hospital trips. Village settlement has introduced previously unknown health problems to the Kayapo.

Bephoti was in London recently with Ropkran, another Kayapo Indian from Pukanu village. He is production director of the Pukanu Trading Company, which is planning to produce Brazil nut oil and bead bracelets for export.

The warriors' five-day trip was to raise funds for development schemes – in association with the Body Shop – to help their communities become self-sufficient.

Companies in the UK are being asked to invest – either financially or by donating relevant products – in a dental project, health care and education schemes, and in rainforest research. The businessmen were also working on a video project to record their culture.

Hilary de Boerr

# Chilean dam to win funding

By Nancy Dunne

Environmentalists in the US and Chile are mounting a rearguard action against a proposed $3bn (£1.9bn) hydroelectric project which they say will spoil the rugged beauty of Chile's Bío-Bío river and threaten the culture of the Pehuenche Indians.

In the centre of the controversy is the International Finance Corporation, the private-sector arm of the World Bank, which tomorrow is expected to approve funding for the $500m Pangue Project. This is the first dam in a proposed series of six, and the largest, most controversial hydroelectric project to receive IFC financing.

Because other privatised energy companies will be seeking funds, IFC's handling of Pangue is likely to set environmental standards for projects to follow. Strongly aware of public concern, the IFC took seriously the need to work with the opposition.

Chile's environmental record is enough to give any investor pause. While pushing ahead with economic growth under the Pinochet government, Chile also despoiled its resources.

Santiago is second only to Mexico City in air pollution according to the Natural Resources Defence Council, co-ordinating opposition to the project in Washington. "Copper smelting operations in northern Chile have produced dangerous blood levels of arsenic among local populations.

"Commercial logging of Southern Chile's native forests is rapidly eliminating some of the world's oldest temperate rain forest ecosystems. Overfishing has left all of Chile's important commercial fisheries in critical condition," says the NRDC.

Now a democracy, Chile has a fledging environmental movement which looks with suspicion at plans to develop the river. Three suits have been filed in Chilean courts to stop the project.

ENDESA, the privatised electric company, planned the Bío-Bío development with no analysis of energy alternatives, and little public discussion or consultation with the Pehuenche. However, it needs foreign capital to complete even the first dam.

After complaints from the NRDC and Grupo de Acción por el Bío-Bío, the IFC required a comprehensive environment assessment and an independent study of energy alternatives. It hired an independent consultant to evaluate the environmental assessment and, overcame ENDESA resistance to making the public.

Pangue, due to be completed in 1997, is not a large dam by World Bank standards. It will create a reservoir 14km long, flooding an area of 400 hectares. Only 53 people will have to be relocated. The most immediate impact will be on white water rafters and kayakers.

Environmentalists say the forests around the dam could become susceptible to logging, threatening an ecosystem which supports many rare and endangered species. These include the Araucaria trees, which produce pine nuts gathered by the Pehuenche; the Andean condors, pumas, and the tiny pudu deer. Operation of the dam will change the river's chemistry, endangering fisheries.

ENDESA has promised numerous measures to mitigate the impact of the Pangue construction. It has also agreed to the Pangue Foundation, funded through an annual grant of $140,000 or 0.3 per cent of the project's net income, to help the Pehuenche communities.

None of this has satisfied the Pangue opposition, which criticises the dearth of public debate in Chile over the project. Glen Prickett of the NRDC believes an energy conservation programme could satisfy the short to medium-term demand for new electricity in Chile, giving time for new developments in solar and biomass technologies.

However, Monenco, the Canadian consulting company hired to assess energy alternatives, concluded that the Pangue project represented the best option for supplying near-term energy needs.

The dam will be almost impossible to stop; construction is already under way. However, the IFC has made no commitment on the next five dams. It has also got ENDESA to agree to study the cumulative impact of the other dams on the Bío-Bío and its people before further development.

## PEOPLE

# 'Managed career' leads to Pru

The Prudential has recruited Symon Elliott, director of consumer banking in Britain at Allied Irish Bank, as its new managing director of Prudential Investment Products (PIP), to replace Alan Wren who left in September.

Keith Bedell-Pearce, chief executive of the Pru's financial services group, explains that Wren's departure was prompted by a "cleaning up" of responsibilities within this area.

Hence, whereas Wren had previously been in charge of production, marketing and distribution, responsibilities on the distribution side – whether through direct sales or via intermediaries – had been passed to the managing directors in charge of the specialist salesforces.

This leaves the managing director of PIP in charge of production, strategic marketing and customer service for unit trusts, PEPs, and currency funds.

Bedell-Pearce says that the current climate afforded him a wide range of candidates in the course of his search, both "seasoned campaigners from the unit trust and PEP business" as well as those from outside who measured up to his "person specification". Elliott, 35, who has an MBA from the London Business School, fell into the latter category.

The financial services chief says he was attracted by an individual who had "consciously managed his career". After a spell in corporate planning at BP, Elliott was sales and marketing director at TSB Direct, and most recently director of consumer banking in Britain for Allied Irish Bank.

"At both TSB and Allied Irish, he had responsibility for delivering sales through distribution channels over which he had no direct control. It will be an identical situation at the Pru where you have to use persuasion rather than direct management control."

A contributory factor to Wren's departure was Bedell Pearce's decision to put expansion into continental Europe "on hold" until the economic climate changed. Bedell-Pearce says that the decision, reached in April, has been vindicated given the current gloomy prospects for Germany, the country in which the Pru would have wanted to initiate its push into Europe.

Wellcome, the UK drugs group, has acknowledged the move towards more collaborative ventures in the pharmaceuticals industry with the creation of a new post of director of group licensing.

The new incumbent is Mark Weedon (above), formerly president of Wellcome's Canadian subsidiary. John Robb, chief executive, says an indication of the job's importance is that Weedon will report directly to him.

The decision to create the post – taken unanimously by Wellcome's top 50 managers – was to help fill critical gaps in the group's product and geographical spread. "Not all sides have been covered. We need to look at more co-development agreements, particularly in Japan where partners can help us push drugs through the regulatory process," says Robb. He says Wellcome's presence in Japan is too narrowly based with only two products. Yet Japan remains the world's second largest market.

The job will also entail completing the group's portfolio by licensing in drugs, as well as licensing out those drugs that do not fit the core portfolio.

Adrian Day (top) has been appointed managing director of Racal Radio, part of the Racal Electronics Group. Managing director of Racal Recorders for the past three years, Day has been brought across to strengthen the management team at Racal Radio. He will be focusing on developing the group's military communications business. David Poole (above) has been appointed md of Racal Recorders Group. Martin Lea, formerly sales and marketing director of Racal-Datacom, succeeds Poole as md.

■ Hogg Group, the insurance broker, has announced a reorganisation of its senior management which sees James Vaughn, stepping down from his position as executive chairman. Vaughn, now 65, will remain on the board, becoming a non-executive joint deputy chairman and a member of a newly formed executive committee. Anthony Howland Jackson, 51, currently chief executive, takes over from Vaughn as executive chairman. Vaughn, an American who joined Hogg in 1983, says he intends to spend less time on day-to-day company matters. On the other hand he remains chairman of Hogg's North American subsidiary and hopes to spend at least half of each year in New York.

■ The ITV Network Centre, which will have more than £500m a year available to commission programmes for ITV, has appointed Vernon Lawrence as controller of network drama and entertainment.

Lawrence, the current controller of entertainment at Yorkshire where he commissioned some of ITV's biggest successes such as Darling Buds of May, is the latest to join the new commissioning team. Last week Stuart Prebble of Granada Television joined as controller of factual programmes.

The appointment of Lawrence, 52, of both drama and entertainment brings together two important roles in ITV. He will have two deputies: one responsible for drama and the other for entertainment.

# Gold quits Scottish Enterprise

Lex Gold, one of two joint managing directors of Scottish Enterprise, the official development body for southern Scotland, is to retire from the organisation in March at the age of 52, Scottish Enterprise said yesterday.

His departure will mean that the posts of both managing directors are becoming vacant. On November 28, John Condliffe, Gold's fellow managing director, died suddenly at the age of 46.

The vacancies could lead to a reorganisation of the management structure of Scottish Enterprise, which began operating in April 1991.

The system of having joint managing directors, with Gold responsible for corporate services and Condliffe handling strategy and the operations of the 13 local enterprise companies in the Scottish Enterprise network, was put in place before Crawford Beveridge, the ceo, took up his appointment early last year.

Earlier this year it was learnt that Beveridge wanted to simplify the structure but no change was made.

Two further changes are in the pipeline. First, dozens of jobs at Scottish Enterprise's Glasgow headquarters are likely to go in the next few months because of cuts in the organisation's budget. Secondly, Sir David Nickson, chairman of Scottish Enterprise, hands over next month to Professor Donald MacKay, an economic consultant and one of Scotland's leading economists.

Gold has been a key figure in shaping Scottish Enterprise, formed through a merger of the Scottish Development Agency and the Training Agency in Scotland, of which he had been Scottish director. He says he is looking forward to "new and fresh challenges" after 33 years in public service, but although he has received invitations to consider possible posts, nothing has been fixed up.

# MANAGEMENT

Robert Graham reports on radical changes to Italy's inefficient and overmanned state system

## Rail network runs along new lines

Mussolini may have made the Italian railways run on time, at least in his day. But not even a dictator was able to make the network adhere to financial targets.

Modern management efforts, however, are helping to transform FS, the Italian state railways which have the dubious distinction of being western Europe's most inefficient and overmanned rail network. Under the management of Lorenzo Necci FS is being given a radical face lift, slimmed down and partially privatised. Endowed with its first business plan worthy of the name, it is due to become a publicly-quoted company at the end of this month.

The FS, with the treasury as sole shareholder, will act as a holding company for a network of subsidiaries – including some with private capital – covering every activity from property development, through to freight, high-speed trains and computer software.

When Necci was brought in as special administrator of the FS in June 1990, the railways had been through a series of disastrous management experiences.

It took him until last May to present a business plan and he did so on a take it or leave it basis. He wanted things done his way. In the event, he had little difficulty in gaining support for a new mandate.

"The basic problem in the FS has been one of management," says Necci, whose main experience has been in the state sector – working with ENI, the national oil concern, and latterly running their chemicals side. He believes in management by objectives and leadership from the top.

He inherited a railway in which only 5,000km of the 16,000km of track was considered economic (essentially the north-south Milan-Naples route). Productivity on the basis of units of traffic per employee was 70 per cent less than the French railways and a third less than that of Germany. Passenger tariffs were, and remain, one-third of those in other EC countries. Not surprisingly the FS last year had an operating loss of L9,429bn (£4.48bn).

One of his priorities was to tackle overmanning. Since June 1990, the number of jobs has dropped by about 20 per cent from 208,000 to 165,000. This is the most concentrated reduction in manpower ever carried out by an Italian state entity and has been done with remarkably little protest from a traditionally powerful sector of the labour movement. A further 40,000 jobs could go in the next seven years.

The secret has been a generous system of early retirement, funded largely by the state but with FS contributing L700bn a year.

Necci has recruited 60 new managers. With these he has transformed the old pyramidical FS management structure, based on departments with limited responsibility, by creating nine divisions.

These group homogenous activities such as passenger traffic, freight and asset management, and give management operational responsibility for running their own profit centres and investment programmes. The central board under Necci concentrates on co-ordination, strategic planning and relations with the government.

The philosophy behind the new FS management is twofold. First, it must shift FS from its previous status as a mere operator-administrator of a loss-making public service to a profit-conscious service, responsive to the public and industry. Second, it must tailor its activities to the financial constraints of the treasury and the possibilities of attracting private capital.

In theory the state will only intervene in a regulatory way and in the form of a regularly-reviewed agreement stipulating those investments deemed entrepreneurial and those considered socially necessary (like the maintenance of uneconomic track).

It remains to be seen whether FS can find sufficient resources both for capital needs and to cover its share of projected losses without resort to its new shareholder, the treasury.

The hardest conundrum to resolve is that of raising the currently-frozen freight tariffs and fares. Necci has to accommodate both government anti-inflation policy and attract new custom while bringing prices into line with the rest of Europe. This could mean premiums on the most popular routes, already signalled by the effective separation of the "economic" 5,000 km of track from the rest. Some routes will be closed if they attract less than 30 passengers a day, although the bulk of the uneconomic track is expected to be run on behalf of the regions.

Private sector involvement centres on three areas – the proposed high-speed train network, property development and information technology. The most important of these is TAV, which will develop the high-speed train network owned 60 per cent by FS and 40 per cent by Italian and foreign institutional investors. Current estimates for a Milan-Naples north-south link and Venice-Turin east-west axis are about L25,000bn. Another proposed link is Turin-Lyon.

The FS hopes to raise funds not only in the market but through property divestment and development, the latter with private sector partners. A new FS company, Metropolis, will develop stations, track and FS's property holdings.

Given the huge projected costs for high-speed trains, Necci runs the risk of finding this project sucking the bulk of funds at the expense of maintenance and modernisation of the rest of the railways. The difficulty of finding funds also suggests the high-speed train project will move slower than anticipated.


Milan's central station: gateway to one of the few profitable parts of Italy's railway network which is undergoing big changes

## Training supremos learn a profitable lesson

Michael Cassell looks at how Britain's Industrial Society has come back from the brink

"IT WAS a shambles. We were technically insolvent and our backs were up against the wall," recalls Rhiannon Chapman, director of Britain's Industrial Society.

Eighteen months ago, the independent advisory and training organisation committed to developing workplace skills and spreading the gospel of good management, was fighting for survival. A proud, 73-year history was insufficient to guarantee any kind of future.

After decades of spirited campaigning to impart best business practice to thousands of private and public sector customers, the society badly needed a dose of its *own medicine*.

By 1990, the organisation had recorded an annual deficit of £1.4m and another loss was to follow in 1991. Poor financial management meant it was owed about £1m by customers; unused to being chased they were painfully slow to pay up.

"We were at that point which companies reach when the banks are tempted to pull the rug. We had a very sick balance sheet, with no cash and no reserves.


Rhiannon Chapman: quiet revolution

"It would have been pretty embarrassing to have been brought in to preside over the death of the organisation", Chapman adds.

The financial crisis which remained largely hidden behind the Regency facade of the organisation's Carlton House Terrace headquarters in London stemmed from longstanding weaknesses.

The society had never entirely seen itself as a hard-nosed business, a tendency reinforced by its commitment to balance its core *commercial services – in-house* training, company consultancy, conferences and courses – with a range of non-profitable community projects.

It spread its training and advisory services too thinly. The programmes offered to the society's 12,000 member organisations were also looking outdated; weak marketing skills compounded the problems which the recession further underlined.

Attempts to stop the rot hit staff morale. And just when training was emerging as a political hot potato, the society appeared to have lost its way.

Its renewal began with the appointment in July 1991 of Chapman, a former personnel director at the London stock exchange.

The choice of a woman was a statement of change in itself, given *the exclusively male lineage* which had run the society since its formation in 1918. Her reported assertion that the governing council had been "quite brave" to appoint her was widely shared.

For her part, Chapman saw the society as an important national asset which was under threat.

The society could at least rely on goodwill among its traditional customers, having won widespread approval and support from government, business and the trade unions. Its reputation as an even-handed source of advice was largely intact.

But the priority was for Andrew Cameron, who arrived from RTZ Corporation as finance director, to sort out the books. Old property valuations were updated, paving the way for short-term loans. Financial controls were improved and *costs* were cut *without* job losses.

An intensive re-examination of the society exposed to detailed scrutiny its staff of 350, its services and its relationships with customers. A possible name change was considered and may yet emerge.

"Product lines" were reappraised – "Did we need to go on running old courses for the sake of those Neanderthals who didn't want new ones?" – and a new generation of programmes is emerging.

The society's organisational structure was also dismantled. An old, departmental structure denied customers full access to the range of services, while staff dedicated to teaching others the art of good communications rarely knew what their colleagues were doing. The new system features six, regionally-based business groups capable of responding better to local requirements.

The core group of 16 middle and senior managers were subjected to a bruising period of self-analysis and appraisal which led to them all having to re-apply for newly-defined posts.

In September, Bill Beaver, former director of corporate affairs at National Westminster Bank, arrived to head up a revitalised marketing effort.

The "quiet revolution", claims Chapman, means a more self-confident society, armed with a new mission statement and charter of principles intended to set new standards of best practice for organisations and individuals.

Though the society may be more commercially adept, it will not give up its role in forging closer links between business, education and the community.

It works closely with Training and Enterprise Councils, organises work-related schools conferences and helps to break the homeless-unemployed cycle.

Its finances have improved. In the year ending *last June, the* society showed a surplus and there is cash in the bank.

The revitalised organisation is more likely to use its highly-valued independence to speak on issues which it believes are vital to the education and development of Britain's workforce. Chapman says that, despite progress, the organisation is "not out of the woods" yet. But it can, at least, say that it is practising what it preaches.

Television/Christopher Dunkley

# Sad goodbye to long term survivors

Television has come to the end of an era. In the past week two of its greatest stalwarts died: Dan Maskell and *This Week*. Both were significant not only as long term survivors, but as symbols of what British television has been in its first age: by and large a public service broadcasting system with good intentions and high ideals, dedicated to all the varied interests of its audience, and not obsessed with maximising either its ratings or its profits.

Maskell spent his entire broadcasting career with the BBC. He began his television commentaries from Wimbledon in 1951, the year when Philip Harben presented a cookery series called *Country Dish* to mark the Festival of Britain, and the BBC's pin-up announcers were McDonald Hobley and Sylvia Peters. Television was still a gee-whizz gimmick and the senior service was BBC Radio with its Light Programme and Home Service. Maskell started as he was to go on for 41 years until his retirement earlier this year at the age of 84, speaking only when he had something useful to say, never using an unkind word, invariably courteous and urbane, always knowledgeable and audible. When he started there was no commercial broadcasting in Britain.

*This Week*, on the other hand, was born into the commercial system in 1956 shortly after the creation of ITV. It was only three years after Richard Dimbleby had launched *Panorama* at the BBC and the idea at Associated Rediffusion (Thames Television's predecessor) was to offer a weekly current affairs magazine with journalism as good as the BBC's but a more "grabby" approach. To achieve a high standard of journalism they made *This Week* a reporter-led programme and over the years employed James Cameron, Robin Day, Alastair Burnet, Peter Williams, Robert Kee, Llew Gardner, Jonathan Dimbleby, Peter Taylor, Denis Tuohy and many more.

As to the "grabbiness", having recently searched through many of the programme's 1,500 editions in order to present a retrospective on ITV tomorrow, I have been vividly reminded of what this meant. In the early days it meant stopping the ex-servicemen's busking band, The Happy Wanderers, in Oxford Street, whipping out a truncheon-sized microphone from your inside pocket (presumably with a hefty cable trailing down the inside of your trouser leg) and interviewing the band amid a huge crowd of onlookers. Later it meant building a full size replica of a Cruise missile on a lorry and trucking it around the home counties to investigate public reaction. Last week in a final edition that typified the programme's traditions – social concern and a determination to disclose – it meant taking your cameras out on the streets of London to show how life expectancy for those sleeping rough is 47 years.

We are unlikely to see the likes of *This Week* or Maskell again. British television is now well on the way to becoming an Eastern Atlantic version of American television. Several of Britain's satellite channels, including Sky One, already consist almost entirely of American programmes. The commentaries on the satellite sports channels stand at the opposite side of the spectrum from Maskell's: these men, usually Americans, cannot shut up, they seem to believe that silence will be interpreted by the audience as death. The BBC with its recent timid decision to plan for a major reduction in its audience share appears to be opting voluntarily for a position similar to that of the marginalised public service broadcasting system in the US.

And all the signs are that the new ITV companies coming into operation on January 1, after succeeding in the Government's new auction process, designed to bring even more vigorous market competition into broadcasting, will act more than ever like their American counterparts. Several, including London's Carlton, will buy all their programmes from independent producers rather than support their own centres of programme-making excellence. *This Week* is dying because Thames TV failed to keep its licence during the auction, and although Thames will continue in business as a major independent (they plan to go on producing *The Bill*, *This Is Your Life* and so on) it seems that neither Carlton nor the ITV network as a whole has any intention of running anything like *This Week*.

There will still be current affairs, but the top ranked programme in Carlton's listing of "Factual Programmes" is *The Good Sex Guide*, and in the first few months of 1993 the weekly slot currently occupied by *This Week* will be taken over partly by the independent company 20 20 Vision and partly by the foot-in-the-door *Cook Report*. Each outfit has produced interesting material in the past, but nobody is pretending that either will be supporting six programme teams as *This Week* has, ensuring that, at any time, a crew could be on the next flight out of Heathrow to cover any trouble spot in the world. That, say the people at Carlton, has become the prerogative of the news programmes.

So what of ITV's main news programme? Sure enough *News At 10* has just been modified to bring it more closely into line with the American model. There is nothing new about this; British news programmes on both ITV and BBC have been imitating their American counterparts for decades. When Huntley and Brinkley wowed the Americans the British switched to two-handed presentation. Now the three major US networks have reverted to the lone presenter: Dan Rather, Tom Brokaw and Peter Jennings compete in trying to combine charisma and authority with down-home folksiness and through-the-screen acceptability (I do not invent these phrases, I assure you).

So ITN has taken Trevor McDonald and promoted him to the single-seat role. Given the colour of Mr McDonald's skin and the terrifying enthusiasm with which Enoch Powell's pronouncements upon race were once greeted in this country – an enthusiasm which no one suggests has subsequently abated – this was a brave and admirable thing to do, but scarcely a move designed to boost the ratings, despite Mr McDonald's splendid professionalism. In the process they effectively demoted the excellent Alastair Stewart, who promptly left, and limited poor Julia Somerville to an "Over to you Hugh" role.

The second half of the programme, which has trouble holding its audience (people tend to zap away the moment the commercials start and then stay away) now contains a "Focus" spot which does, indeed, look like a mini current affairs programme and sometimes contains good material. For instance the recent item following up newspaper campaigns on the appalling effect of EC regulations on abattoirs and scrap metal yards was strong, vivid, and important. But if little bits of work like that are henceforth to be seen as ITV's contribution to current affairs then we are right indeed to mourn the passing of an era.

To me "news" still means the difference between the world yesterday and the world today, and the job of current affairs – however much the technology and the journalistic techniques may change – should be to explain the how and the why of those differences. Watching a reporter being kicked up the backside by an irate double glazing salesman, the sort of thing that happens in the *Cook Report*, has more to do with the Jeremy Beadle school of embarrassment television than with current affairs.

So it is "Goodbye Dan Maskell, goodbye *This Week*, and hallo Amerika".

Theatre/Malcolm Rutherford

# A remarkable 'Cyrano de Bergerac'

To begin with an apology: I had never seen *Cyrano de Bergerac* before in any of its manifold versions, whether on stage screen or whatever, so can make no comparisons with previous performances. Innocence or ignorance, however, can be an advantage: I can say with absolute freshness what a remarkable piece it is. Nothing else is quite like it.

The version at the Haymarket is a new translation by John Wells. That itself gives pause for thought. Anything that Wells has a hand in – whether it is "Dear Bill" in *Private Eye* or his current role in Graham Green's *Travels With My Aunt* at Wyndham's – tends to bear his own unmistakeable, whimsical stamp. One could almost believe that he invented *Cyrano*.

But he did not; it just fits his style. The original play is by Edmond Rostand (1868-1918) and has been a success around the world ever since it was first performed in Paris in 1897. Cyrano (1616-1665) was a real figure: poet, soldier, philosopher, scientist and lover of both sexes, he was someone whom Rostand picked up at a time when the European theatre was entering a period of great earnestness.

There is nothing earnest about about Cyrano, whether the man or the play. Rostand called it an heroic comedy. It could be equally well described as a mock tragedy. It seems to me that it is simply *sui generis*.

The principal attribute of Cyrano is that he has a very large nose, which he assumes disfigures him and blights his life. In fact, he is quite wrong about this. In the play, he is an affable character, much sought-after and well-liked. It is his misfortune to believe that he gets by largely on his verbal felicity, while the men with good looks get the girl.

But there is much more to *Cyrano* than Cyrano. Rostand was plainly steeped in Shakespeare. Echoes of the battle scenes in *Henry IV* recur throughout; possibly Cyrano is meant to be a rather cleverer Falstaff with a French education. There is, in this production by Elijah Moshinksi, some remarkably good ensemble playing of a kind that one does not always associate with the West End. One of the characters, de Guiche, is played by Julian Glover, fresh from his performance as King Henry for the Royal Shakespeare Company. The RSC influence is catching.

There is also a development of the balcony scene in *Romeo and Juliet*. Cyrano cannot court the woman he wants for fear of being thought too ugly, so he gives his words to his handsome friend. For a time they woo together as if on stilts. This is comedy of a very high order. So, too, is the fencing scene where the duellists not only have to compete with blades but also in inventing verse as they fight.

Shakespeare comes in again with a series of puns: "But soft, what nose through yonder window breaks?" and the inevitable "a nose by any other name". Yet the influences are by no means all English. In this very curious mix of a play, it is quite hard not to think of Proust and Stendahl. Rostand brings everything together.

Cyrano is played by Robert Lindsay who carries his nose to perfection. Note when he is asked to taste some wine from a rather narrow glass. The girl, Roxane, is Stella Gonet; she becomes remarkably dignified, almost queen-like in spectacles, in her old age. Both the designs by Michael Yeargan and the lighting by David Hersey are exceptional. A huge amount of effort has gone into the details, and it pays off. *Cyrano* should be added to the list of plays to be seen during the holidays – or whenever.

**Theatre Royal, Haymarket (071) 930 8800**

Alastair Muir

**Robert Lindsay (centre) as Cyrano in John Wells's new translation, directed by Elijah Moshinski**

Ballet/Clement Crisp

# Donizetti Variations

Any evening that shows us Balanchine's *Donizetti Variations* comes to us smiling – and we smile back. And any triple bill as well planned as London City Ballet's on Monday night is also to be greeted with pleasure. (I had thought the art of programme-planning, of composing an evening that, like a serious meal, has shape and conscious progression, was lost to British ballet.)

LCB began with the Donizetti, which is Balanchine's 1960 response to the ballet music from *Don Sebastian*. Nothing could be prettier, more fleet or more featly done. A ballerina, Eva Evdokimova, and her cavalier, Paul Thrussell, three trios (one man, two girls), and a bubble of steps that are quick, bouncy, Bournonvillian, are the components.

Balanchine knew all there was to know about ballet music in operas: Diaghilev, engaging him in 1924, asked "Can you make opera ballets, fast?" "Yes", said Balanchine, who had never made one in his life, "very fast", and went on to make dozens for the Monte Carlo opera seasons. Such music spoke a language he enjoyed – he used it irresistibly in several works – and to the delicious tunes from *Don Sebastian* he produced a series of ebullient and taxing entries that LCB show off with enthusiasm. Evdokimova, at the piece's heart, is in radiant form: grand enough to give the piece a focus, and quick-footed and responsive to the *fioriture* of the writing. It is a wholly irresistible ballet, and in it LCB looks bright, willing, well-mannered.

The meaty centre of the evening was a revival of Jack Carter's *Witch Boy*. This is very much of its time (the mid-1950s) in manner and dramatics – magic and mayhem in the Smokey Mountains – but it is surely made, and in the past has held audiences by its dramatic energy. I do not think LCB's casting is quite right. The memory of John Gilpin's mysterious passion haunts the title role for those of us fortunate to have seen him, and none of the present players seems to find the absolute clarity of feeling and movement that the piece requires to bring it off. It is, though, a useful acquisition to LCB's repertory, and worth seeing.

The evening ended with that nicest of iced puddings, *Les Patineurs*. Ashton choreography is difficult for artists not reared in the Royal Ballet's traditions – and, alas, difficult nowadays for those who are. LCB's dancers push certain effects unnecessarily (the characterisations are in the steps and need no external prodding with "charm"), but the performance was sound, and Ashton was recognisable. In sum, a well-conceived and well-executed evening: LCB has never looked better.

**London City Ballet is at Sadler's Wells with varied programmes - check with theatre listings - until January 2. "Witchboy" is sponsored by Bankers Trust Company. "Les Patineurs" is sponsored by John and Olivia Hughes**

Concert/Max Loppert

# Fortepiano pleasures

Robert Levin is a scholar of distinction and a performer whose repertory stretches from the early keyboard collections to Boulez and Carter. As he proved at the Queen Elizabeth Hall on Thursday, his powers as a recitalist on the fortepiano are immense. He is not a miniaturist or an antiquarian (although the physical and spiritual qualities of the instrument were captured with alert "period" sympathy), but a musician engaged to his utmost on the matching and reconciling of instrumental sound and musical sense.

A fortepiano recital in this coldly un-intimate hall is a risky business, even when a wooden shield has been supplied to enclose player and instrument, to focus the tone and line amid so much acoustical woolliness. But in his touch of the instrument Mr Levin did nothing egregious or cosmetic to achieve communication; he had no recourse to flashy, audience-wooing tricks. Rather, his accounts of Schubert (the D major Sonata, D.850) and Beethoven (the "Hammerklavier") gloried in the smaller dynamic range, the palette of unhomogenised tone-colours.

He did this by paying the most precise and purposeful attention to tempo relationships, varieties of accents, fine distinctions of chord-voicing, accurate applications of legato and marcato phrasing, in ways unavailable to all but the most sensitive modern-piano performances. The exquisitely fresh, springy and above all keen-spirited character of his Schubert was a continual delight; such needle-point wit, such nimble-footed fantasy of the finale recalled Clifford Curzon's performance of the D major – than which no praise can be higher.

The "Hammerklavier" represented a challenge of a far more arduous sort, bravely and in many ways brilliantly faced. I have never heard the Allegro movements go at such a lick, nor the decorative details of the Adagio traced and developed with so lightly lyrical a command of phrase. In this of all works the late-20th-century ear is still habituated to expecting monumentality of sound; Mr Levin's reading achieved genuine rugged monumentality of spirit, which is much rarer.

# Tate Gallery plans new museum

The Tate Gallery in London, which houses both British and modern art, intends to split up its collections.

Yesterday it revealed plans to build a new £50m plus museum of modern art in central London, to be mainly financed by money from the Millennium Fund and to be open by 2000.

The existing Tate, on Millbank, will become an enlarged museum of British art. A $10m donation from an anonymous American well-wisher will enable it to build new galleries in the Tate, which should be complete by 1996.

While it waits for Millennium revenue, financed through the national lottery, to come on stream, the Tate is looking for a temporary home for its modern art collection. It hopes that a property developer with an unlet building will loan it to the Tate for around five years, and perhaps contribute to the £5m-£10m needed for the conversion into an art gallery.

The dual role of the Tate, as the main British gallery covering the very different fields of modern art and British art, has attracted criticism, but the main impetus for the new museum comes from the Tate's inability to display more than 15 per cent of its 5,100 paintings and sculptures. Even with the new museum only 25 per cent of its holdings will be on show at any one time.

The Tate Gallery is making an early bid for Millennium money, intended to give the nation important new arts buildings to celebrate the year 2000. It will have received the Government's tacit approval for the scheme, but will be expected to raise some of the cash from private and corporate sources and to build up an endowment fund to finance the running of the new museum. It is possible that an existing building, like the unused Bankside power station on the Thames, will be converted to a museum if the finance for a new structure is not forthcoming. The Tate is not yet launching an appeal; it is staking a claim and hoping that its commitment will attract a response from business and Government and ensure success.

The Tate Gallery of British Art will show foreign artists if they have influenced British artists, and the Tate Gallery of Modern Art will exhibit some British paintings. Nicholas Serota, director of the Tate, said the scheme was "a vision put down in words," but, along with the chairman of the Trustees, Mr Dennis Stevenson, thinks the climate is right for this ambitious project. Both museums would offer free admission.

**Antony Thorncroft**

# INTERNATIONAL ARTS GUIDE

## ■ BARCELONA

**OPERA**

**Lohengrin,** conducted by Uwe Mund and staged by Gotz Friedrich, can be seen at **Gran Teatre del Liceu** tomorrow and Sun (also Dec 23, 27, 30, Jan 2, 5). The cast includes Thomas Sunnegardh, Kurt Rydl and Eva Marton. Sat: Paata Burchuladze sings arias by Verdi, Boito and Musorgsky, accompanied by the Liceu orchestra conducted by Daniel Nazareth (412 3532)

**CONCERTS**

Alexis Weissenberg gives a piano recital tonight at 21.00 in the **Palau de la Musica.** Fri, Sat, Sun morning: Garcia Navarro conducts Barcelona City Orchestra in works by Haydn, Grieg, Hindemith and Ravel, with piano soloist Maria Tipo. Mon: Handel's Messiah with Scottish Chamber Orchestra and Valencia Chorus (268 1000)

● Information and booking for cultural events available through **Caixa de Catalunya** from 08.00 to 14.00 (310 1212)

## ■ COLOGNE

**Philharmonie** Tonight: Maurice Andre plays trumpet concertos with the Ensemble Orchestral de Normandie. Fri evening and Sun morning: Hans Vonk conducts Cologne Radio Symphony Orchestra in works by Stravinsky and Beethoven. Sat: Bach's Christmas Oratorio. Mon and Tues: Virtuosi Saxoniae play concertos by Vivaldi, Corelli and Telemann. Dec 23, 24, 25: ballet gala (2801)

**Opernhaus** Tomorrow: Olaf Baer song recital. Fri: Hansel and Gretel. Sat: Thomas Fulton conducts first night of Willy Decker's production of Billy Budd, with a cast including Philip Langridge, Boje Skovhus and Monte Pederson. Next Tues: Die Zauberflöte (221 8400)

## ■ COPENHAGEN

Flemming Flindt's production of Nutcracker can be seen tonight and Fri at the **Royal Theatre,** with further performances next week. Sat: Don Carlo. Mon: Carmen (3314 1002)

## ■ FRANKFURT

● Russian State Ballet tonight and tomorrow at **Jahrhunderthalle Hoechst.** Fri: Andrei Gavrilov piano recital. Next Tues and Wed: Best of Broadway with New York Harlem Dancers and Uno Dance Company (3601 240)

● Broadway musical 42nd Street Fri in the **Alte Oper** for a three weeks (1340 400)

● A new William Forsythe ballet is premiered on Sat at the **Schauspielhaus,** repeated Dec 21, 23, 28, 30, 31 (236061)

● Ruth Berghaus' new production of Der Rosenkavalier opens at the **Opernhaus** next Wed. Die Fledermaus can be seen on Fri and Sun (236061)

## ■ GOTHENBURG

**Konserthuset** Tomorrow and Fri: Jesus Lopez-Cobos conducts Gothenburg Symphony Orchestra and Chorus in Berlioz's La Damnation de Faust, with soloists Linda Finnie and Stefan Dahlberg (167000)

## ■ HAMBURG

**Staatsoper** The main event this week is the first night on Sunday of a four-part ballet production entitled Zwei Mal Zwei, including the world premiere of a new work by Mats Ek set to music by Gorecki (repeated Dec 22, 29). The opera programme includes Die Zauberflöte (tonight) and Hansel and Gretel (tomorrow and Sat). Harald Stamm sings Winterreise on Fri (351721)

**Deutsches Schauspielhaus** A new production of Euripides' The Bacchae, directed by Ivo van Hove, opens on Fri. The repertory also includes Shaw's Heartbreak House and Gorki's Vassa Shelesnova (248713)

## ■ LEIPZIG

**OPERA**

The main event this week at the **Opernhaus** is a new production of Lohengrin opening on Sat, staged by Uwe Wand, conducted by Jiri Kout, with George Gray in the title role and Helena Doese as Elsa (next performance Dec 27). Sun: Le nozze di Figaro. Next Mon and Wed: Hansel and Gretel. Next Tues: Fiddler on the Roof (7168 273)

**CONCERTS**

Tomorrow and Fri in the **Gewandhaus,** Kurt Masur conducts Gewandhaus Orchestra in works by Beethoven and Prokofiev, with piano soloist Gerhard Oppitz. Next Wed: choral concert with music by Bach, Corelli and Petr Eben. Dec 29, 30, 31: Kurt Masur conducts Beethoven's Ninth Symphony (7132 280)

## ■ LYON

● Tomorrow and Sat at **Auditorium Maurice Ravel,** Lawrence Foster conducts Orchestre National de Lyon in works by Lalo and Dvorak, with world premiere of Koering's Violin Concerto (7860 3713)

● Kent Nagano conducts Orchestra of Opera de Lyon on Fri in **Auditorium Maurice Ravel,** with concertos by Mozart, Schumann, Hindemith and Ravel. Nagano also conducts Prokofiev's ballet Romeo and Juliet, choreographed by Angelin Preljocaj, opening on Dec 26 (7828 0960)

## ■ NEW YORK

**THEATRE**

● Woyzeck: Jesse Borrego has the title role in a production of Buchner's play directed by Joanne Akalaitis. Music by Philip Glass, translation by Henry Schmidt (Public, 425 Lafayette St, 598 7150)

● Jelly's Last Jam: the music of Jelly Roll Morton, self-proclaimed inventor of jazz, plus an unsparing portrait of the man himself (Virginia, 245 West 52nd St, 239 6200)

● The Sisters Rosensweig: Wendy Wasserstein's play about a reunion in London of three American Jewish sisters (Mitzi E Newhouse, 150 West 65th St, 239 6200)

● The Best of Forbidden Broadway: tenth anniversary edition of Gerard Alessandrini's ever-popular musical revue (Theatre East, 211 East 60th St, 838 9090)

● Oleanna: David Mamet, in fine curmudgeonly form, takes on political correctness, sexual harassment and a number of other *isms* in this brief, powerful drama (Orpheum, 126 Second Ave, 307 4100)

● Catskills on Broadway: a revue that pays tribute to the area that spawned America's funniest people, a festival of ethnicity and all but unbroken laughter (Lunt-Fontanne, 205 West 46th, 307 4100)

● The Secret Garden: a charming musical adaptation of the classic children's story by Frances Hodgson Burnett (St James, 246 West 44th St, 239 6200)

## ■ STRASBOURG

**Palais de la Musique** 20.30 Theodor Guschlbauer conducts Strasbourg Philharmonic Orchestra in works by Schubert, Dvorak and Bruckner, with violin soloist Frank Peter Zimmermann. Repeated tomorrow (8837 6777). Sat, Sun, next Tues and Wed in **Théâtre Municipal:** Guschlbauer conducts Pierre Strosser's new production of Die Fledermaus (8875 4823)

## ■ STUTTGART

The Christmas programme at the **Staatstheater** is dominated by John Cranko's production of Prokofiev's ballet Romeo and Juliet, with performances tomorrow and Fri, Dec 21, 22, 25, 28, 29. Tonight's performance of Monteverdi's Il ritorno d'Ulisse in patria is conducted by Alan Hacker. Sat: Ruth Berghaus' production of Weill's Mahagonny. Dec 20, 23, 27: Don Giovanni. Dec 26: Tosca (221795)

## ■ UTRECHT

**Vredenburg** 20.15 Lev Markiz conducts Netherlands Chamber Orchestra in works by Richard Strauss, Schubert and Stravinsky, with cello soloist Matt Haimovitz. Fri: Valery Gergiev conducts Netherlands Radio Philharmonic Orchestra; Oestvolskaja and Stravinsky. Sat: Bernhard Klee conducts Radio Symphony Orchestra; Ravel, Chopin and Schumann. Sun afternoon: Hartmut Haenchen conducts Netherlands Philharmonic Orchestra in works by Reimann and Mendelssohn. (314544)

### European Cable and Satellite Business TV

(all times CET)

**MONDAY TO FRIDAY**

*CNN*
2000-2030, 2300-2330 World Business Today – a joint FT/CNN production with Grant Perry and Colin Chapman

*Super Channel*
0700-0710, 1230-1240, 2230-2240 FT Business Daily
0710-0730, 1240-1300 (Mon, Thurs) FT Business Weekly – global business report with James Bellini
0710-0730, 1240-1300 (Wed) FT Media Europe
0710-0730, 1240-1300 (Fri) FT Eastern Europe Report
2240-2248 FT Report

*Sky News*
2030-2100, 2230-2300 FT Business Weekly

**SATURDAY**

*CNN*
0900-0930, 1900-1930 World Business This Week – a joint FT/CNN production

*Super Channel*
0830-0900 FT Business Weekly

*Sky News*
1130-1200, 1730-1800 FT Media Europe

**SUNDAY**

*CNN*
1030-1100, 1800-1830 World Business This Week

*Super Channel*
1900-1930 FT Business Weekly

*Sky News*
0130-0200, 0530-0600 FT Media Europe
1330-1400, 2030-2100 FT Business Weekly

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Wednesday December 16 1992

# Time to use force in Bosnia

AS MINISTERS gather again in Geneva to discuss the former Yugoslavia, the pressure for stronger external intervention is growing. Today's meeting is technically not a new conference but a meeting at ministerial level of the steering committee of the existing international conference, which met in London last August. That meeting was proclaimed a success, because a number of agreements were reached. But those agreements have not been honoured. The war in Bosnia has continued. So has the odious process of "ethnic cleansing".

British and other European forces have been deployed in a humanitarian role, and have had some success in getting supplies to the more remote Moslem towns and villages which are still holding out. But as the carnage continues, the inadequacy of these operations is more and more painfully apparent to those involved in them, and to the world in general.

The airlifts and convoys are constantly obstructed and sporadically fired on, usually by Bosnian Serb forces. The supplies which do get through, of food, fuel and especially medical equipment, fall far short of what the population needs to survive the winter. Above all, the shelling of Sarajevo and other populated areas continues remorselessly. The humanitarian operations are, at best, saving people from cold and starvation so that they can be killed by mortar fire. That being so, today's meeting will be a waste of time if it contents itself with obtaining yet more Serb signatures to yet more meaningless agreements. It must be used, by those who genuinely wish to help Bosnia, as the occasion for drawing up a plan of action; and it is no longer any use pretending that action will be effective without any military component.

The proposal to enforce the no-fly zone is welcome insofar as it at least attempts to restore some credibility to UN Security Council resolutions. But it will achieve little if it used simply to punish the Serbs, without clear political and military objectives.

The ultimate political objective must remain the restoration of peace throughout the republic, with the right of all its citizens to return to their homes in safety, and the obligation of those who have destroyed property to rebuild it. But that objective cannot be secured purely by military means. The military objective, rather, must be to secure enough territory to form a "safe haven" for those Bosnians, Moslem and otherwise, who recognise the authority of the elected government and reject that of Mr Radovan Karadzic's ill-disciplined militia – thus enabling them to enter negotiations on a stronger footing than is possible at present.

The UN's next task should be to delineate such an area, and issue an ultimatum to Serb forces to withdraw from it. If the danger of reprisal against existing UN forces is held to inhibit such action, as British ministers have been arguing in recent days, then those forces should be reinforced and/or withdrawn to more defensible positions.

# Safer pensions

THE DEADLINE passed yesterday for submissions to the Goode committee on pensions law reform, after the publication of a consultative paper in September. The committee is due to publish its findings by next June.

That part of the evidence which has been published reveals plenty of diverse viewpoints, but also signs of a consensus that the security of pension scheme assets and benefits must be greatly improved after the Maxwell disaster and a series of lesser, but in themselves just as disturbing, scandals.

One of the more thoughtful papers has come from the Confederation of British Industry. Private-sector schemes did, in fact, peak in terms of employee membership as long ago as 1967 at 8.1m and now cover well under 6m people, against perhaps 5m in public-sector schemes. However, there are still 460,000 private-sector schemes with assets of £320bn.

The decline in private-sector coverage raises the fundamental question of what occupational schemes are there for. They were originally designed to attract workers and reward long service. These days, however, lifetime service with the same employer is unusual and pension schemes are often used to finance early retirement and redundancy packages. The CBI emphasises that schemes will need to be much more flexible in future. But this could make scheme membership less attractive to employees.

For this reason, it would be a pity if the Goode committee were to confine itself to narrow questions of fraud and mismanagement. There seems to be a fairly general acceptance that some sort of compensation scheme should be introduced, but not many of those organisations which have sent in submissions are ready to accept that comprehensive protection should be put in place. True, the National Association of Pension Funds has taken a strongly positive line, but has been strongly criticised for its pains by some of its big member schemes. The CBI, too, believes that compensation should be provided only in clear cases of fraud, but not of maladministration or investment losses. Yet it is not clear that it will be practical to draw fine distinctions or wait years for proof of fraud where members' expectations have been disappointed.

Companies that wish to provide occupational schemes for their workers will have to pay the price of extensive regulation and protection, just as do the investment institutions that sell normal savings products. Inevitably the imposition of minimum funding standards and external trustees would seriously cramp the style of the traditional company scheme, and would raise questions about the balance between schemes with a final salary link and those with a money purchase structure where more of the investment risk falls upon the member. If the Committee's recommendations turn out to have momentous implications for company pensions that will be no reason for pulling punches.

# Italy protests

MUNICIPAL ELECTIONS in Italy this week have amply confirmed the public disrepute of Italy's entrenched party political system. The pro-autonomy Northern League protest party continued its recent spectacular success by capturing a third of the vote in Varese and Monza near Milan. But the growing appeal of this new party is also the corollary of the continued loss of public confidence in the traditional political parties.

The depth of their discredit, which first became unmistakable in the fragmentation of the April general elections, has since been increased by the wave of political finance scandals, which have revealed the wholesale implication of the Christian Democrats and even more of the Socialists. That wave is still gathering momentum; last week parliament lifted the immunity of Mr Gianni De Michelis, the former foreign minister, and Mr Bettino Craxi, former prime minister, yesterday confirmed he is under investigation.

In the medium term, the combined effects of the crackdown by the judges and rejection by the voters will seriously weaken the traditional party structures which have conspired to share the benefits of government and public office ever since the second world war. But in the short run, the paradoxical effect may be to strengthen the government of professor Giuliano Amato, provided it presses ahead rapidly and boldly with reforms both of Italy's public finances and of its constitution.

In his first eight months in office, Prof Amato has started well, with far-reaching measures to contain Italy's ballooning budget deficit, including cut-backs in public spending, restraints on public sector pay, and a sharp increase in the income tax effectively levied on the self-employed. This week he will call on parliament to endorse the necessary counterpart of these budget measures, with a programme for the privatisation of Italy's large state industrial sector. But a single austerity budget will not be enough: Italy will need to hack away at the deficit for several years to come if it is to bring its finances into reasonable order.

In the longer run, political reforms will be just as important if Italy is to recover the chance of sound government. Vested interests in the party hierarchies are likely to resist all reform proposals which could seem to threaten their traditional fiefdoms. But the momentum for constitutional reform, exemplified by the pressure for a number of national referenda, should ensure that the parliament will itself put forward reform proposals early next year, including a reduction in the role of proportional representation and a strengthening of the independence of regional government.

For the moment Mr Amato has the strength of a weak government which cannot be overthrown. But that strength will not last indefinitely.

The names of potential Bank of England governors have been submitted by a firm of headhunters, writes **Robert Peston**

# Wanted: potent pair of eyebrows

*The FT yesterday intercepted a fax intended for the prime minister. It is from the headhunting firm, Sell-Ffone & Crynge, which has been employed in the search for a new governor of the Bank of England.*

Dear prime minister,

This is the final report on possible candidates for the post of governor of the Bank of England.

I suspect you will want to announce the appointment soon to allow for a smooth handover of responsibilities before s/he takes up the appointment on July 1. Your officials tell me that an announcement early in the new year is planned.

Were you to decide to make a controversial choice – and I suspect that is unlikely – you might wish to take a leaf out of your predecessor's book. She announced the appointment of Leigh-Pemberton [the current governor] two days before Christmas in 1982, which is not a time when the press tends to devote reams of newsprint to a discussion of monetary policy or bank supervision.

As you know, whoever is chosen will face tremendous challenges, perhaps greater than any governor since Montagu Norman (governor for a record 24 years between 1920 and 1944), who began the transformation of the institution into a modern central bank. I therefore assume that the chancellor was making a seasonal quip when he recently told me that it would be "helpful to have a turkey at the Bank".

The magnitude of the job can best be seen from an examination of the Bank's mission statement, drawn up two years ago by Leigh-Pemberton to introduce good corporate governance into the Bank. It has three elements:

- the value of the currency should be maintained;
- the stability of the banking system should be preserved by the work of the Bank's supervisory division operating under the 1987 Banking Act;
- the competitiveness and efficiency of markets in the City of London should be encouraged.

The way in which the Bank carries out these functions is likely to change: indeed it is questionable whether it will continue to have all these responsibilities.

It is difficult to predict how the Bank's responsibilities to maintain the currency – and combat inflation – will develop. The chancellor recently gave it a new task of making a quarterly public assessment of progress in the battle against inflation.

Although this falls some way short of giving it independent powers to set interest rates, I suspect from my chats with you that such independence is not completely off the agenda for the duration of your government.

If members of the European Community move towards economic and monetary union, the Bank's monetary role will inevitably be transformed. It would eventually become part of a federation of independent central banks setting European monetary policy.

The governor must also implement reforms to the Bank's supervisory department, which are being introduced following criticism that it was ineffective in its role as supervisor of the Bank of Credit and Commerce International, the corrupt international bank.

I understand you are keeping under review the question of whether the Bank should continue to be involved in bank supervision at all, or whether these responsibilities should be hived off to a new independent regulatory unit.

Given that the structural changes at the Bank are likely to be far-reaching, the governor must possess the ability to think strategically and adapt to change. There are two other important qualities s/he must have. Governors are increasingly expected to negotiate face to face with their peers on complex EC directives or other highly technical issues, such as the linkage of payment systems or rules governing banks' capital requirements. Technical expertise and negotiating skills are essential.

We started with 10 possible candidates: Sir David Scholey, chairman of the merchant bank, S G Warburg; Eddie George, Bank deputy governor; Sir David Walker, deputy chairman of Lloyds Bank and former chairman of the Securities and Investments Board; Bruce Patullo, governor of the Bank of Scotland; Sir Christopher Hogg, chairman of Courtaulds; Sarah Hogg (no relation), the head of your Policy Unit; Sir Peter Middleton, deputy chairman of Barclays and former Treasury permanent secretary; Sir Dennis Weatherstone, chairman of JP Morgan, the US bank; Sir Leon Brittan, EC competition commissioner; and Lord Lawson, former chancellor. Two emerged as front-runners: Scholey and George. There follows an analysis of how they match up to what we see as essential traits for the new governor.

**PEDIGREE**

Until recently, almost all governors have been drawn from the merchant banks. Leigh-Pemberton was the first clearing banker to be offered the post.

Even after the Bank was nationalised following the second world war, governors have usually been merchant bankers, including Lord Catto (a Morgan Grenfell man), Lord Cobbold (in one sense the first career Bank man to become governor, though he spent his early career in merchant banking), Lord Cromer (from Barings), and Lord Richardson (from Schroders).

So the traditional choice would be to go for Scholey, who is already a non-executive Bank director.

On the other hand, the Bank has become far more professional in the past 70 years and there is a precedent for the choice of a career Bank man such as George. Lord O'Brien (governor from 1966 to 1973) joined the Bank straight from school.

**EYEBROW POTENCY**

Traditionally, governors are expected to encourage City firms to act responsibly by a mere twitch of the eyebrow. But in fairness to all candidates, the governor's god-like power to influence City events has been lessened by legislative changes.

A governor's ability to exert pressure by raising an eyebrow at the apposite moment was greatest when there were few formal rules governing City behaviour and the Square Mile was a club, with the governor as chairman of the membership committee. But the 1987 Banking Act and the 1986 Financial Services Act have provided a statutory framework for financial firms' dealings. If the Bank wants to prevent a bank from behaving in a certain way, its ultimate weapon is the law. If it wants to go further and close down a bank, it must be certain that it is justified in doing so under the terms of the banking act.

All of which has militated against the use of eyebrows. Nonetheless, Leigh-Pemberton's eyebrows have twitched effectively over the past few years. He encouraged Midland to appoint a new chairman and a chief executive to replace Sir Kit McMahon (who held both posts) in early 1991. Similarly, he forced the departure of Christopher Reeves from the post of chief executive at Morgan Grenfell in 1987 and supported the appointment of Rodney Galpin to the Standard Chartered chair in 1988.

There have been limits, however. His disapproval of Lloyds Bank's hostile attempts to buy Midland last spring did not deter Lloyds having a go (and failing).

Scholey's eyebrows may turn out to be authoritative – his dislike of publicity has succeeded in sustaining an aura of mystique around Warburg. Mystique is an essential prerequisite for the successful exercise of influence outside the public domain. George's lower forehead is hidden behind spectacles and a billow of smoke from an ever-present cigarette.

**TECHNICIAN/NEGOTIATOR**

The first task of the governor may be to negotiate the setting up of the European Monetary Institute and the European Central Bank, if progress towards European monetary union revives. The EMI is the intended precursor of the European Central Bank and is to begin life in January 1994. It would have no formal responsibility for making monetary policy, but it is supposed to be a powerful forum for evaluating EC members' monetary policy.

It is vital, therefore, that the governor, as British member of the EMI council, should have the stature to defend the UK's position. The governor must also be comfortable grappling with highly technical issues, such as the division of national currency reserves in a European Central Bank.

If such skills are the most important criterion, George is the leading candidate. Since 1982, he has been responsible for monetary policy, market operations and market supervision at the Bank. On the other hand, Scholey's negotiating skills have been widely praised – and he is said to be adept at mastering a complex brief. He also has political skills (I understand he was lauding your abilities, long before you were considered a serious candidate to succeed Lady Thatcher).

**SANG-FROID**

George has demonstrated his ability to keep his head in a crisis. I understand you were impressed by his coolness during the currency turmoil of the summer which led to the UK's withdrawal from the exchange rate mechanism.

Scholey, however, can claim that much of the business of merchant banking is crisis-management – especially the giving of advice on takeovers and mergers.

**JUDGMENT**

This is particularly difficult to assess. It is arguable that George should have been more forceful in advising you earlier in the summer of the risks of trying to defend the pound's level within the ERM.

**STRATEGIC THINKING**

Scholey is probably the only candidate to have reorganised completely a large international organisation. By merging his merchant bank with two stockbrokers and a stockjobber – or share wholesaler – he created a new breed of UK securities firm. On the other hand, the profitability of Warburg has recently come under pressure and its success in becoming a truly international business has probably been less rapid than he would have liked.

On balance, I believe there are strong arguments in favour of both George and Scholey. The overall thrust of my analysis is that your choice will be decided by whether you want a technocrat, in which case you should choose George, or a strategist, in which case Scholey should be picked.

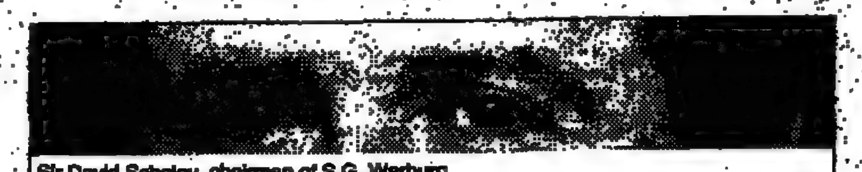
You may be tempted by the idea of trying to persuade George to serve under Scholey. A minor consideration is that, if George becomes governor, it will not be easy to find a new deputy governor, since there is no obvious internal candidate.

On the other hand, we would be more than happy to act in the search for a deputy.

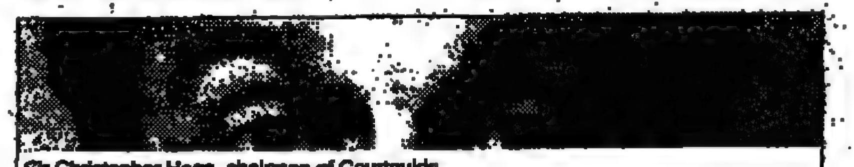
Yours most sincerely,
Gavin Sell-Ffone

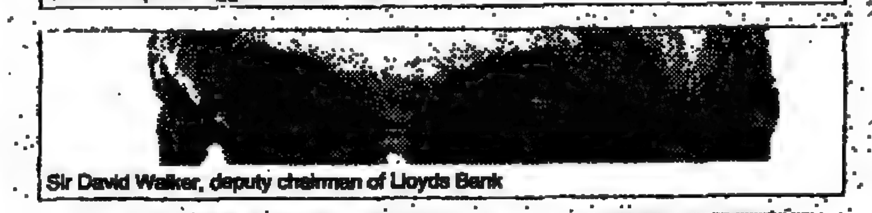
PS: If you opt for a compromise candidate, do get back in touch.

**Do they pass the test ?**


Sir David Scholey, chairman of S.G. Warburg


Eddie George, deputy governor of the Bank of England


Sir Christopher Hogg, chairman of Courtaulds


Sir David Walker, deputy chairman of Lloyds Bank


Sir Peter Middleton, deputy chairman of Barclays Bank


Bruce Pattullo, governor of the Bank of Scotland


Sarah Hogg, head of Downing Street policy unit


Nigel Lawson, former Chancellor of the Exchequer

*PERSONAL VIEW*

# Case for a second tier

**By Lynton Jones**

The news of the probable demise of the USM – the London Stock Exchange's inelegant name for its second-tier market – crept into the press recently with barely a whimper. Analysts were wheeled out to proclaim that the market had had its day, and that most companies on the Unlisted Securities Market ought now to move up to the main listed market.

How short memories are. In the heady days of the 1980s the ability to raise equity capital on the USM at an early stage in a company's development was seen as one of the main factors in stimulating the growth of new enterprises. The London Stock Exchange created the USM primarily because it had been criticised for its poor record in encouraging small companies to raise risk capital.

But it did so with mixed feelings. There is a fundamental contradiction between the objectives of those responsible for promoting the main listed market, who seek to prove that only companies of the highest standards are listed, and those responsible for promoting a second tier market, who have to accept that some companies might present a high risk to the potential investor. To have both markets run by the the stock exchange was therefore always likely to produce tensions.

Not only were both markets run by the same exchange, they were run by the same department within that exchange. It was a fundamental error to give responsibility for both to the Quotations Department, which was always uneasy about the USM's lower listing standards.

Despite the phenomenal growth of the second tier market during the mid-1980s, those responsible at that time for assessing whether it met the needs of industry were reaching some uncomfortable conclusions. The Quotations Department was so risk-averse that virtually no companies were admitted to the USM under the listing requirement for the financing of greenfield projects. This meant that in addition to the USM there continued to exist a market outside the exchange.

It was the continued existence of an unregulated over-the-counter market outside the exchange and the perceived shortcomings of the USM that ultimately led to the creation of the Third Market by the exchange. But once again, the innate conservatism of the Quotations Department had the effect of strangling this infant at birth.

With the introduction of the various EC listing directives, which narrowed the differences in the listing requirements of main and second tier markets, the exchange took the opportunity to close the Third Market altogether and to review the conditions for listing on the USM. It now appears that this review will conclude that there should be no difference between listing requirements on the USM and the main market. Hence it is probable that the USM will be closed down.

The timing is dreadful. The growth in the number of companies coming on to the USM has closely mirrored the growth of the economy in general. Indeed, as the economy went into recession, the number of companies using the USM to raise capital nearly reached vanishing point. Now, with the economy apparently beginning to recover, it is vital to have in place a healthy second tier market to encourage the growth of new companies.

The stock exchange will never be able to run a second tier market with enthusiasm. Its job, like that of the New York Stock Exchange, is to provide retail investors with a safe haven for their investments, and institutional investors with a liquid market for heavily traded securities. This role does not sit easily with that of providing a market for higher risk investments. As in the US, a second tier market run by a completely different body is needed.

It is here that the regulatory problems arise. In many countries, the body responsible for setting the listing requirements (the "listing authority" in the language of the EC) is the central regulator, such as the US Securities and Exchange Commission. In the UK, the "listing authority" is none other than the stock exchange, which is not likely to make it easier for competing exchanges to list the shares of UK companies. One wonders whether the Office of Fair Trading has considered the anti-competitive nature of this arrangement.

The lessons of this analysis are the following:

- the UK needs a second tier market, especially at a time when economic recovery is imminent;
- the stock exchange is not best equipped to provide this market;
- if we are to encourage competition among exchanges, and therefore the provision of a specialised and independent second tier market, then it is of the first importance that the role of "listing authority" should pass from the stock exchange to the Securities and Investments Board.

Let us hope that SIB chairman Andrew Large, in his current review of the regulatory infrastructure, takes this into consideration.

*The author is chief executive of OM London, an electronic futures and options exchange. He has worked at the London Stock Exchange and was managing director of Nasdaq International.*

## Edward Mortimer

# Grievous national harm

### Recognition of minority rights can be either a prelude, or an alternative, to frontier changes

By coincidence, this week has seen two big steps forward in the struggle to establish the rights of minorities in a world of nation states. In New York, the UN General Assembly adopted a declaration "on the rights of persons belonging to national or ethnic, religious or linguistic minorities"; and in Stockholm, the Conference on Security and Co-operation in Europe appointed Mr Max van der Stoel, a former Dutch foreign minister, as its first high commissioner on national minorities.

The processes leading to both steps have been infuriatingly slow. The UN declaration was originally drafted as long ago as 1978. The CSCE first alluded to national minorities in the Helsinki Final Act of 1975, but at that time only to say that those European states on whose territory such minorities existed would respect the right of their members to equality before the law, would afford them the "opportunity for the full enjoyment of human rights and fundamental freedoms" and would "protect their legitimate interests in this sphere".

Max van der Stoel (left), CSCE commissioner on national minorities: working in the shadow of Marshal Tito

Not until June 1990, after the fall of communist regimes in central and eastern Europe, did CSCE recognise the right of people belonging to minorities "freely to express, preserve and develop their ethnic, cultural, linguistic or religious identity and to maintain and develop their culture in all its aspects, free of any attempts against assimilation against their will". A year later, a CSCE meeting reached the daring conclusion that "issues concerning national minorities, as well as compliance with international obligations and commitments concerning the rights of persons belonging to them, are matters of legitimate international concern and consequently do not constitute exclusively an internal affair of the respective state".

The experts at the meeting went on to list a number of measures by which some of the participating states had obtained positive results "in an appropriate democratic manner". They said cross-frontier contacts between people sharing a common ethnic or national origin, cultural heritage or religious belief should be encouraged, and promised to exchange information and statements of policy on the subject, "on a voluntary basis". But that was about as far as it went, until this March when the Netherlands put forward the idea of a high commissioner, which was finally adopted at the Helsinki summit in early July.

Everyone knew that Mr van der Stoel, a veteran human rights campaigner who recently served as UN special rapporteur on Iraq, was waiting in the wings. And by this summer almost everyone could see that the problem was an urgent one, with ethnic conflicts coming rapidly to the boil all over the Balkans, central Europe and the former Soviet Union. I fondly imagined Mr van der Stoel would leap straight into action, taking up (for instance) the situation of the Hungarian minority in Slovakia, and that of the Russian speakers left behind in the Baltic states. But the wheels of multinational diplomacy grind exceeding slow. He could not even be appointed until the 52 participating states got together again at foreign minister level. Meanwhile five precious months had been lost.

### Since the fall of communism it has become apparent that simple suppression of dissent does not work

One of the saddest ironies in the whole affair is that the state that had been most actively pushing the minorities issue, both at the UN and in CSCE, was Yugoslavia. It was Yugoslavia that produced the first draft of the UN declaration back in 1978, and Yugoslavia that pressed tirelessly for CSCE to take up the subject, against strong French, American and Soviet reservations. As recently as August 1991 Yugoslavia submitted one of the most comprehensive national responses to the questionnaire sent out by the UN sub-commission on the prevention of discrimination and protection of minorities.

In his progress report submitted last July the sub-commission's special rapporteur, Mr Asbjorn Eide, remarked that "leaving aside the issue of Kosovo, it might appear that the solutions found in Yugoslavia were very sophisticated, comprehensive and aimed at a degree of national and ethnic pluralism unparalleled anywhere in the world". And he drew the obvious moral that "it would be excessively legalistic and naive simply to compare national legislation with regard to minorities on the assumption that perfect models could be found which could prevent the eruption of violent conflict".

Indeed, the Yugoslav tragedy provides excellent arguments for anyone seeking to bury the whole issue of minority rights.

The late Marshal Tito may have been a communist dictator, but in national terms his policies were admirably pluralist. Instead of imposing a unitary state or a single national identity on his fellow citizens, he organised them into six separate republics and recognised an even larger number of nationalities.

The trouble was, of course, that republics and nationalities did not perfectly correspond. Many Serbs live outside the Serbian republic, the Moslems did not have a republic of their own, and the Albanians were divided between Serbia and Macedonia.

That was hardly Tito's fault. His arrangements broadly corresponded to historical and demographic realities, which provided (one might think) good reason for keeping the country together.

But once the iron frame of communism began to loosen, populist leaders exploited national passions, and the whole structure fell apart. Serbian leadership suppressed the rights Tito had accorded to Albanians in Kosovo. The leaders of Slovenia and Croatia did what they could to weaken the federal institutions, fearing they would be used as instruments of Serb domination; when Serbia resisted this, they proclaimed independence. Serbs in Croatia, and later, in Bosnia-Hercegovina, took up arms rather than let themselves be separated from Serbia, only to be told by the international community that they had no right to alter "existing" frontiers, although they had never thought of these frontiers as international.

After that experience any state might reasonably argue that it would be signing its own death warrant by recognising different nationalities among its citizens, and more especially by recognising any autonomous territorial entities. Yet the tide of history seems to be running the other way. States are actually more willing than in the past to admit the existence of national minorities and to codify their rights. In Europe, they have even appointed Mr van der Stoel as an official international busy-body to interfere in these highly sensitive matters.

Why? Because the fall of communism has called in question all forms of purely authoritarian rule. It has become apparent that simple suppression of dissent does not work; that strongly held political grievances will in the end make themselves felt, and, for good or ill (usually in practice for a mixture of both), the feeling of national identity is one of the strongest human emotions. Once people believe that they belong to a different nation from their rulers, it is all too easy for nationalist leaders to persuade them to see all their grievances through that prism. The more their national identity is denied or suppressed, the more convinced they are that independence is the only solution.

But since in so many places national groups live intermingled on the same territory, independence is seldom possible without bloodshed. Each national group that escapes from minority status takes with it a small minority that has to be either coerced or displaced. Thus even large nations which cared little for minorities in the past find themselves taking an interest in new minorities of their own kith and kin, on the other side of new frontiers. And everyone starts to think how much better it would be if frontiers did not have to change, because minorities were properly treated within existing states.

# LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

## Doubts over US aims in Somalia

*From Mr Mohamoud Abdi.*

Sir, The declared objective of the massive US military intervention in the war-torn and starving Somalia is a humanitarian one. In the Gulf war the purpose of the US military intervention was that of protecting Saudi Arabia from "Iraqi aggression" and it ended with the destruction of Iraq and the redrawing of its border with Kuwait. There is a real concern among the Somalis that what looks like a benevolent American occupation of Somalia is in fact the thin end of a wedge that will ultimately divide the country into north and south.

It is advisable for the US to stick to its humanitarian intentions, and confine its military intervention to the areas where there is a need for them and not send troops north of Belet Weyne. Spreading troops into relatively peaceful northern and north-eastern regions will be seen as a sign that this is an army of occupation with more sinister objectives.

Mohamoud Abdi,
*editor,*
*ALIF,*
*19 Berenger Tower,*
*Worlds End, London SW10 0EF*

## UK's old enthusiasm for training needs to be rekindled

*From Sir Oscar De Ville.*

Sir, Peter McGregor's letter about training (December 12) makes an important point.

Training in industry after the second world war was carried out in many companies with enthusiasm and vigour. There were training-within-industry programmes sponsored by government; part-time release for young people to have one day's study a week; well-established apprenticeship schemes on a new "sandwich course" basis; together with the benefits from "productivity reports" on US practice in operator training, supervisor training and management development. By the 1950s these were a minimum for most industrial companies, where so many ex-service personnel had themselves seen the effectiveness of military training. This was certainly the case at Ford.

Some of that work will have been sustained and improved upon. But it is tragically true that for 20 years or so when we in British management were distracted by industrial relations problems and by transient educational fashions those earlier standards were often allowed to lapse.

Fortunately there is a new management awareness of the need to re-establish training as a priority, and this government has done much to that end. But we lack a clear national pattern, and that old enthusiasm has yet to be rekindled.

Oscar De Ville,
*Bexton Cottage, 18 Pound Lane,*
*Sonning on Thames,*
*Berks RG4 0XE*

## Strength not only issue

*From P A Leandro.*

Sir, The recent Standard & Poor's report on the financial strength of some UK life offices continues the debate on this difficult and complex topic. Lots of commentators, including many from the actuarial profession, have counselled caution when using such surveys. One particular point seems to have been missed by the compilers of such surveys. High levels of free assets are equated with strength, which is judged to be good by policy-holders. In my view this is not necessarily the case. It may be that high levels of free assets are the result of under-declaration of past policy-holders' bonuses and of penal surrender values. In this situation high levels of free assets may have been bad for the policy-holders. The point is that financial strength is not the only issue.

P A Leandro,
*Barnett Waddingham*
*& Company,*
*consulting actuaries,*
*11 Tufton Street,*
*London SW1P 3QB*

## Ignore critics and enjoy the show

*From Mr Gordon Bentley.*

Sir, What surprises me is that Mr Carter (Letters, December 12) is surprised! In my experience theatre-goers are unlikely to be disappointed if they ignore convention and buy tickets only to shows which have received a critical "right-hander".

My next excursion will, if I can obtain two tickets, be to the Royal Opera House. Are there any Clement Crisp devotees out there sufficiently apprehensive to send me theirs?

Gordon Bentley,
*Woodland Cottage,*
*Green Lane,*
*Langley,*
*Maidstone, Kent ME17 3JW*

## Currency value based on edict not a stable measure of wealth

*From T Robinson.*

Sir, Recent comparison of chocolate bars with currency (Observer, December 8, and Letters, December 10) reminds me, if memory holds, that the original FT article in 1981 sought seriously to examine the problem of maintaining a standard measure of wealth over the passage of time, given the unreliability (ie a tendency to inflation) of fiat money.

"Hours-worked" was one method explored; eg if the average industrial wage-earner needs to work fewer hours now to buy a given product than he did 10 years ago he may reliably be considered better off, irrespective of the number of pound notes in his pay packet.

An alternative to "hours-worked" was the Mars Bar, since it represented a constant basket of basic commodities: cocoa, sugar, paper etc. Though humorous, it parallels Prof Hayek's proposals for competing currencies based on convertibility against fixed baskets of a wide selection of staples.

When ERM is exposed, in the same week, as inherently flawed, both by Mr Samuel Brittan and Herr Schlesinger, should we try to patch it up or seize the opportunity to institute a completely new, and extra- (not supra-) national monetary system? For, any monetary system which depends on value ascribed simply by the edict of governments to currencies, which intrinsically have zero value, is itself inherently flawed.

The values of such currencies are legal and economic fictions based solely on confidence in the economic credentials of the governments concerned. With electoral self-interest, parties, personalities and policies changing year by year – and even hour by hour – common sense and history tell us the system cannot, long term, provide a stable measure nor store of wealth. Yet, like fruit and nut cases, we persist in believing in the black magic of the system.

T Robinson,
*13 Shenstone,*
*9-11 Culmington Road,*
*Ealing, London W13 9NL*

## Speculative questions

*From Mr Brian Taylor.*

Sir, Thank you for providing your readers with the articles "Behind the ERM crisis" (December 11 and 12). Although I read the FT regularly, I am apparently illiterate when it comes to understanding the huge markets which can pump billions through the system in a few hours.

Does the FT know why Britain lost £10bn defending its currency while the French, you report, "made an estimated FFr1.2bn in profit at the speculators' expense"? Who are these speculators, and where do they get their money from?

A principle of democracy is involved in these questions. If readers like myself do not understand the mechanics of currency movements, how can we control politicians who deal in huge sums at our expense?

Brian Taylor,
*6 Fenners Lawn,*
*Gresham Road,*
*Cambridge*



# OBSERVER

## Economic goals

■ Could Chelsea football club's surge up the premier league table be a welcome economic omen?

It sounds implausible, but if an observation made by Prime Minister John Major in a recent book holds true, the Blues' revival may be just the tonic the economy needs. Writing in "We'll Support You Evermore" – an anthology of paeans to various soccer clubs by celebrated fans – the prime minister recalls how in the mid-1970s "Chelsea's problems seemed to mirror the country's".

"As Britain turned to the International Monetary Fund to bail out our economy, so Chelsea had to go cap in hand to its bankers ... The upturn in Chelsea's fortunes in the 1980s was, like Britain's recovery, long overdue and extremely welcome," comments Chelsea's famous fan.

Does the relationship still hold? Time will tell. But the cognoscenti will note that Chelsea's lowest ebb this season was reached when Paul Elliott, one of its star players, was seriously injured – just 10 days before Black Wednesday.

## Dispatched

■ One of the most emotive issues in Germany at the moment is whether or not its troops can be sent abroad on UN peace-keeping missions without violating the country's constitution. The government is anxious to send medics and engineers to Somalia but the opposition Social Democratic Party seems to be firmly against sending German troops without amending the constitution.

Hence it comes as something of a surprise to learn that German troops, albeit only a few of them, were secretly dispatched last year to the Middle East during operation Desert Storm. It is understood that former east German Nationale Volksarmee officers, who had just been integrated into the west German Bundeswehr, were sent to the desert to give the Americans the low-down on the Iraqis' Scuds. Their former employer had after all been one of the biggest users of the Soviet missiles.

If German soldiers can help beat the Iraqis, surely they should be allowed to help save the Somalis.

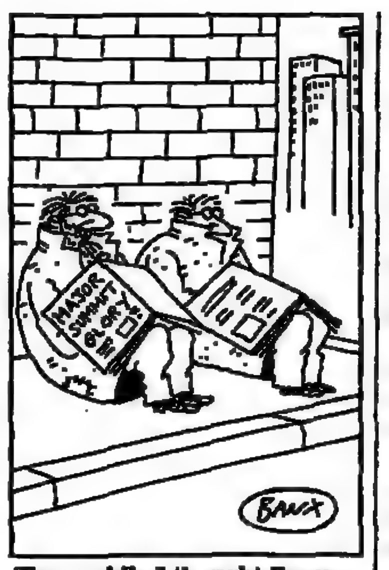
## Changing times

■ What are we to make of the government's decision to find a new public relations and marketing adviser for the sale of its next tranche of BT shares? With the reappointment of S G Warburg and Linklaters & Paines, it looked as if the government intended to use the same old team of advisers.

However, it has replaced Dewe Rogerson, the undoubted pr king of the privatisation world, with Brunswick, a relative upstart in the business. It seems that the Treasury simply wanted a change. But in the candyfloss world of the pr merchants it will be seen as a big blow for Dewe Rogerson.

## Currency quiz

■ A cry for help from Goldman Sachs no less. David Morrison, the company's chief international economist, is worried that no one is going to be able to solve his Christmas quiz and thereby win two jeroboams of champagne.



'For a while I thought Europe was on the brink'

Which currency would President-elect Clinton be least likely to draw on if reminiscing on his days at Oxford? Which eastern currency detached itself in early November and would prove useful in attempting to win the football pools but, ironically, not in France? In response to which event this year did a European foreign minister declare: "If you can't join them, beat them?"

In the event of a tie, the overall winner will be the producer of the best completed limerick, the first two lines of which are as follows: There once was an old central banker whose currency filled him with rancour...

Answers to Morrison by Thursday night. Telephone 071-774 1000; fax 774 1181.

## Underground

■ A missing piece has been returned to the French corporate chess-board. Francis Lorentz, hero of many battles at state-owned computer-maker Bull, has found a new job. Now 50, the tenacious mountaineering Alsatian has been chosen as the boss of the RATP, the troubled Parisian metro network.

Six months ago, Lorentz was booted out of loss-making Bull after having clashed with former Prime Minister Edith Cresson over whether to allow the Japanese electronics group NEC to take a minority stake in Bull. Although he won the NEC battle, it made him enemies in the public administration and scarcely strengthened his job security.

It's as well that Lorentz likes a challenge because that is precisely what he will get at the RATP, not least in negotiations over metro drivers' working conditions. They were the bone of contention behind last month's resignation of ex-chairman Christian Blanc, after drivers' strikes forced millions of Parisians to walk home through spectacular traffic jams.

## Proportional

■ If your name is Simon Engineering and you need to borrow £50m then you may have to search around a bit. However, one name stands out in Simon's latest banking syndicate. Alongside Barclays, Lloyds and Bayerische Landesbank, is something called the Fifth Third Bank.

Observer has heard of quite a few First National banks and even knows the address of the Second National Bank of Saginaw. But what is the Fifth Third bank? Based in Cincinnati, where Simon has its US operation, it was formed in 1908 after the merger of the Fifth and Third National banks. It is by all accounts a first-rate outfit, albeit ranking 257th in the world bank pecking order. Even so with a name like that it could be confused with the Bank of the Last Thirty Second.

FINANCIAL TIMES
Wednesday December 16 1992



# Boeing, Airbus to share $4.1bn aircraft order

By Paul Betts, Aerospace Correspondent, in London

A $4.1bn (£2.7bn) order for US Boeing and European Airbus airliners from the Californian aircraft leasing company International Lease Finance Corporation yesterday gave a boost to the civil aircraft industry.

The bulk of the package of 82 firm aircraft orders went to Boeing, which secured orders for 53 airliners.

But Airbus, which clinched firm orders for 28 aircraft, also won the first firm commitment from ILFC for its new 125-seater A319 jet which it hopes to launch next year.

*Airbus said the decision to* launch the A319 programme would hinge on the consortium winning sufficient commitments from other airline customers in the next few months.

McDonnell Douglas, the other big US commercial aircraft manufacturer now trailing Boeing and Airbus in the market, won only one firm order from ILFC. This involved the conversion of an earlier option for an MD11 *three-engine airliner into a firm* order.

The $4.1bn package announced by ILFC, the second-largest aircraft leasing company after GPA of Ireland, is one of the biggest single orders to be announced in *the current two-year air trans*port industry recession.

But it is unlikely to ease the *immediate strains* in the market with financially squeezed airlines continuing to seek to defer or cancel earlier orders.

After the cancellation of 74 Airbus aircraft worth $3.5bn by Northwest Airlines last week, United Airlines announced late *on Monday that it had started* discussions with Boeing to reduce "significantly" its capital spending commitments for new aircraft.

United, which announced earlier this year a first round of spending cuts involving 122 aircraft, *said it had 433 Boeing air*craft on order and option.

ILFC, a subsidiary of AIG, the US insurance group, appears to have decided to take advantage of bargain prices for new aircraft and engines at a time when its bigger and financially pressed rival GPA is in the midst of complex negotiations with its bankers and with manufacturers to defer orders.

The move will provide some *relief for the big aircraft* and engine manufacturers and their suppliers which have been forced in recent weeks to scale back production and cut jobs.

British Aerospace, the 20 per cent UK partner in Airbus, *employs about 7,000 people* directly on Airbus activities including the production of all Airbus wings.

Rolls-Royce said it would supply $160m worth of engines to power some of the aircraft ordered by ILFC. However, the US General Electric group won the biggest share of the ILFC order with contracts worth *$1bn for engines to power 51 air*liners.

ILFC ordered aircraft from the entire range of Airbus jets including the widebody A300, A310, A330 and A340 as well as the narrowbody A320 and A321. Six of the still to be launched A319 were ordered. Apart from the 28 firm Airbus orders it took eight additional options for Airbus jets.

The Boeing orders include the US company's latest widebody, the 777, as well as the 747-400 jumbo, the 767, the 757 and the 737. Of the 53 firm orders placed with Boeing, 18 were conversions of earlier options.

Boeing said ILFC also added 17 new options bringing total its total options for Boeing aircraft *to 47 jets.*

Mr Steven Udvar-Hazy, ILFC's president, said he hoped the orders "will be a sparkplug to return confidence to the airline industry".

Japanese farmers protest in Tokyo against suggestions that rice could be imported

# US forces close in on Somali 'death city'

By Julian Ozanne in Baidoa

A SMALL contingent of US Marines moved into the lawless Somali town of Baidoa last night and took control of the disused airstrip to prepare for the arrival within hours of a much larger military intervention force.

*Colonel Mohamed Gutaale*, commander of airport security in the terrorised town, refused to let foreigners beyond the airport perimeter last night and said: "The Marines are in control of the airport now. You cannot come in."

*The seizure of Baidoa* airport under cover of darkness is the first penetration by US military of Somalia's starvation-ridden interior. It marked the start of the second phase of Operation Restore Hope. Commandos at the airport were last night preparing for the arrival of US Marine reconnaissance units expected between midnight and 4am local time.

Up to 700 US and French soldiers *will take the town by road* in a 70-vehicle armoured convoy and by air from Cobra combat helicopters at twilight.

As many as 100 people a day are dying in Baidoa. The decrepit "City of Death", at the centre of the starvation zone, is a critical objective for the US-led operation to provide security for the delivery of relief to up to 2m Somalis at risk of death by starvation.

Gunmen, who have been on an orgy of looting and violence in the past week, huddled in groups near ramshackle tea stalls in Baidoa late yesterday afternoon *discussing if they should leave* before foreign troops arrived.

Isolated gunshots echoed throughout the day as gunmen reportedly tried to loot diesel *fuel and food and settle final* scores before hiding their weapons and withdrawing their battle wagons from the streets.

The seizure of the airport came *hours after Mr Robert Oakley*, the US special envoy in Somalia, held final talks in Baidoa with local clan-faction leaders and aid workers. Mr Oakley told clan *leaders and Somali elders that* the US forces were coming simply to assist aid workers efforts to deliver food to the starving. He urged them to co-operate with the troops in their policing mission.

In a meeting with dispirited aid workers Mr Oakley said the soldiers had been making sensible preparations for the operation. "We are not anticipating a military threat here but as always we are coming prepared," Mr Oakley said before returning to the airport in a battered all-terrain vehicle with armed gunmen sitting on the roof.

*He also* warned Somalis and foreigners to stay away from the airport and said: "After midnight be very careful until troops get settled down."

*Aid workers who have been* holed up in compounds fortified by sandbags and machine-gun emplacements on roofs expressed hope the US military intervention would allow them to get back to serious work.

At makeshift roadside garages mechanics repaired axles and spare wheels and fine-tuned engines to ensure cars could make a speedy getaway.

Residents pushed donkey carts *or broken-up* wheelbarrows loaded with sacks of US wheat and EC vegetable oil off the streets *behind* the walls of compounds fearing foreign troops might confiscate plundered relief supplies.

*French close ranks, Page 4*
Observer, Page 13

# THE LEX COLUMN

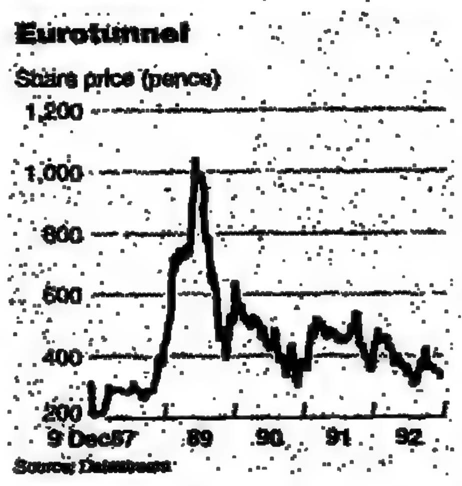
## Cracks in the tunnel

In the tortuous history of disputes between Eurotunnel and its contractors, it has often been hard to distinguish between brinkmanship and irreconcilable disagreement. Yesterday's announcement by *TML* that negotiations are at a standstill perhaps amounts to little more than a vigorous shaking of the publicity tree.

TML's implicit threat is that if Eurotunnel does not settle terms on the disputed £1.2bn of cost over-runs it will work to rule, delaying the partial *opening of the tunnel now forecast for* December 1993. Any such postponement would be punitively expensive for Eurotunnel. On some estimates, the bill could amount to £100m a month, pushing the project's break-even point ever further into the distance. The uncertainty would be *particularly unwelcome for Euro*tunnel as it ponders how to raise fresh funds when its banking waivers expire in 1994.

But despite the high stakes, Eurotunnel's pugnacious chairman, Sir Alastair Morton, may yet be inclined to call TML's bluff. The value of the *contractors' outstanding work is small* and TML would not appreciate being identified as the consortium that spoiled the opening party. Given that part of its payment will also be in *Eurotunnel shares and loan stock*, it hardly makes sense to cause too much disruption. The longer the row, the more the value of Eurotunnel's paper will fall. Contractors already complain about the uncertain worth of Eurotunnel's equity. Sadly, shareholders must know exactly how they feel. Yesterday's spat wiped a further 3 per cent off the value of their investment.

FT-SE Index: 2717.9 (-3.9)





### UK economy

Yesterday's economic data leave plenty of room for argument about what is actually happening to the economy. Manufacturing output in October was better than the market *expected, retail trade in November*, as measured by the Confederation of British Industry survey, worse. There is less room for uncertainty about November's producer price data. Input *prices jumped a seasonally-adjusted* 2.4 per cent, their largest monthly gain for 16 years.

It is, of course, impossible to be sure how much devaluation effect is yet to *be felt on input prices, but the pace of* acceleration since August's 0.7 per cent fall clearly contradicts the claim that Black Wednesday would have minimal inflationary impact. How long it will take for producers to pass on the extra costs is equally uncertain. Margin pressure may be alleviated by lower unit labour costs, but industry's patience is likely to be thin. A slightly disturbing feature of yesterday's figures is the 0.6 per cent rise in output prices of food, drink and tobacco. *It* looks as though manufacturers are already preparing to pass on green pound devaluation costs before they are fully felt next year.

*Today's retail sales figures may* shed more light on the real economy, especially since survey data have erred on the side of pessimism recently. It would be rash, though, to set too much store by the manufacturing output data. The monthly figures are erratic. Taking the last quarter as a whole, manufacturing output has fallen 0.2 per cent, which hardly constitutes a recovery. Indeed the nagging worry remains that incipient inflation may limit the government's ability to *inject life into a disappointing recov*ery. That would do little for the equity market from the middle of 1993 when the authorities will also be issuing gilts hand over fist.

### Electricity

The regional electricity companies have notably failed to gain ground *since the regulator last week ruled in* favour of the dash for gas. Southern Electric has an interest in three gas-fired power projects, yet its shares have fallen since Professor Littlechild *went public. Since Southern's interim* figures yesterday were nothing but solid, the obvious conclusion is that the good news was already in the price. Having drawn the scope of his inquiry so tightly, *Professor Little*child was indeed less likely to come down hard on Southern for backing gas. The nagging concern, though, is that the sector has only cleared the *first hurdle of* an arduous regulatory course.

The government's energy review could still *override the regulator's con*clusions. That would make Professor Littlechild's position difficult, to say the least. Assuming the white paper leaves the regional companies unscathed, a review of electricity supply is not more than a few weeks behind. With the more important distribution review *due to start in the* autumn and only a sketchy outline of the regulator's thinking on the table, the market might be forgiven for keeping the champagne on ice.

*Since Professor Littlechild* is investigating the generators' prices both in the proposed supply contracts and in the electricity pool, National Power and PowerGen still look more exposed. The promise of 12 per cent dividend growth from the regional companies this year and yields comfortably above the market average *allow for a fair* degree of risk. If too many regulatory chickens come home to roost, though, Welsh Water's decision to take profits on its South Wales Electricity holding yesterday may look rather canny.

### Vodafone

At first glance the 2 per cent rise in Vodafone's shares looks an excessive reaction to its Australian licence. The service will cost £200m to develop and is unlikely to show a profit before 1996. Perhaps the market just likes to see the company diversifying. Doubtless it would be even more pleased if a German licence was granted too, though that will not *follow automati*cally from the Australian award.

Without diversification, Vodafone would have no long-term hope of maintaining the cracking growth it *has established in the UK. In theory it* should not falter in the short term. Price adjustments to attract low volume users have generated extra revenues, though not much extra profit, *and Vodafone is geared to economic* recovery. But competitive price cutting could revive after Christmas, and the regulator's eye may eventually be caught by Vodafone's extraordinary *returns. Diversification provides some* protection against these risks, but investors might remember the slow pay-off before marking the shares up much further.

# US, France call for UN to enforce Bosnia no-fly zone

By Robert Mauthner in Stockholm, Michael Littlejohns in New York and David White in London

THE US and France pressed ahead yesterday with efforts to formulate a United Nations Security *Council resolution authori*sing military action to enforce a no-fly zone over Bosnia-Hercegovena.

It emerged yesterday that Mr *Boutros Boutros-Ghali, sec*retary-general of the United Nations, had asked Nato to draw up plans for further military action, focusing on enforcement of the no-fly zone.

Nato headquarters refused to comment on Mr Boutros-Ghali's letter to *Mr Manfred Wörner, the* alliance secretary general.

It followed a series of recent contacts between the two men over possible responses to the *conflict*.

Nato military authorities have already been working on what a senior diplomat called "limited and fairly specific contingency military planning" for former Yugoslavia.

This work has concentrated on enforcement of the flying ban, possible moves to establish safe areas for Bosnian Moslems and ways of containing any spread of the conflict into the Serbian *region of Kosovo*.

Britain remained reluctant to endorse the use of military measures to enforce a UN ban on military flights over Bosnia, in *spite of mounting pressure* in favour of such a step.

In London, Mr John Major, the *British* prime minister, expressed reservations about the enforcement but indicated that Britain would not block such a move by other countries at the UN.

*Mr Major*, who earlier reviewed Britain's stance on Bosnia at a meeting with cabinet colleagues, said enforcing a no-fly zone could hamper humanitarian efforts and threaten UK troops. But he added: "We have never ruled out a possible need to enforce the zone."

The British reservations were reiterated at a meeting on the fringe of the 52-nation Conference on Security and Co-operation in *Europe in Stockholm* between Mr Douglas Hurd, the foreign secretary, and his US and French colleagues, Mr Lawrence Eagleburger and Mr Roland Dumas.

*They will, no doubt, be voiced* again at a special one-day conference on the former Yugoslavia in Geneva today, at which the fast-deteriorating situation in Bosnia *will be the main item on the* agenda. The conference will be attended by representatives of 29 countries, 20 of them at foreign minister level.

Mr Hurd yesterday made clear that Britain's position was motivated mainly by the desire to ensure the security of both *its* 2,400 strong force of UN peacekeepers in Bosnia and the flow of humanitarian aid to the Bosnian Moslem population.

Major cautious on increased UK involvement in Bosnia, Page 8
Editorial comment, Page 12

# Craxi faces corruption probe

Continued from Page 1

could investigate alleged corruption charges against him. Mr Craxi's statement said: "I believe this initiative by the prosecutor's *office* in Milan is wholly without foundation and is no less than an attack against my person and whose purpose *is political rather* than that of justice." He went on to say he took full responsibility for the actions of the party.

This suggests Mr Craxi has no intention of stepping down from *the party leadership although* one third of the party is in open revolt against him.

The weakening of the party, a pillar of the four-party ruling coalition, is likely to complicate the position of Mr Giuliano Amato, the Socialist prime minister.

Yesterday, the lira declined to L895 against the D-Mark in nervous trading related to the political uncertainty.

# Russian reforms

Continued from Page 1

"The chief issue is to stop the decline in industry" and he added he would need a certain amount of finance for that – relegating the possibility of hyperinflation to a category to be "thought about". He said he was a "confident" supporter of controlled energy pices, although coal prices would rise in the future.

*Mr Gaidar's government had* also controlled energy prices and Mr Gaidar had told deputies at the congress that he *would not* raise them for some time.

The IMF and the World Bank have pressed for price to rise in fairly rapid stages to world levels to reduce the subsidies paid and encourage energy saving.

The prime minister said he would not freeze *prices or wages* – adding a "yet" for the latter – and said he was for all kinds of property, but did not favour a "landslide privatisation" of farms.

## World Weather

| | | °C | °F | | | °C | °F | | | °C | °F | | | °C | °F | | | °C | °F | | | °C | °F |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Boulogne | S | 7 | 45 | Frankfurt | C | 2 | 36 | Majorca | F | 16 | 61 | Oporto | S | 13 | 55 | Tenerife | C | 20 | 68 |
| | | | | Brussels | S | 8 | 43 | Geneva | S | 3 | 37 | Malaga | C | 14 | 57 | Oslo | F | 7 | 45 | Tokyo | S | 8 | 46 |
| | | | | Budapest | C | 7 | 45 | Gibraltar | F | 15 | 59 | Malta | S | 18 | 64 | Paris | C | 6 | 43 | Toronto † | Fg | 0 | 32 |
| Ajaccio | S | 14 | 57 | Buenos Aires | F | 28 | 82 | Glasgow | C | 11 | 52 | Manila | F | 32 | 90 | Prague | Fg | 1 | 34 | Tunis | S | 17 | 63 |
| Algiers | S | 18 | 64 | Cairo | R | 9 | 48 | Helsinki | R | 5 | 41 | Melbourne | C | 14 | 57 | Reykjavik | C | -7 | 19 | Valencia | S | 14 | 57 |
| Amsterdam | C | 6 | 43 | Cape Town | S | 22 | 72 | Hong Kong | F | 14 | 57 | Mexico City | C | 20 | 68 | Rhodes | F | 9 | 48 | Venice | Fg | 3 | 37 |
| Athens | F | 11 | 52 | Caracas | F | 29 | 84 | Innsbruck | S | 4 | 39 | Miami † | C | 21 | 70 | Rio de Janeiro | C | 32 | 90 | Vienna | S | 7 | 45 |
| Bahrain | F | 24 | 75 | Casablanca † | F | 19 | 66 | Inverness | R | 4 | 39 | Milan | Fg | 2 | 36 | Rome | S | 13 | 55 | Warsaw | C | 7 | 45 |
| Bangkok | C | 33 | 91 | Chicago † | R | 4 | 39 | Islamabad | C | 18 | 64 | Montreal † | S | -4 | 25 | Salzburg | S | 9 | 48 | Washington † | C | 2 | 36 |
| Barcelona | S | 15 | 59 | Cologne | S | 8 | 46 | Istanbul | H | 4 | 39 | Moscow | C | -2 | 28 | S'Francisco † | S | 9 | 48 | Zurich | Fg | 1 | 34 |
| Beijing | S | 6 | 43 | Copenhagen | C | 7 | 45 | Jakarta | R | 33 | 91 | Munich | S | 5 | 41 | Seoul | S | 3 | 37 | | | | |
| Beirut | T | 11 | 52 | Corfu | S | 14 | 57 | Johannesburg | S | 27 | 81 | Nairobi | | – | – | Singapore | F | 30 | 86 | | | | |
| Belfast | F | 10 | 50 | Dallas † | R | 3 | 37 | Lisbon | S | 12 | 54 | Naples | S | 16 | 61 | Stockholm | C | 8 | 46 | | | | |
| Belgrade | S | 8 | 46 | Dublin | C | 13 | 55 | London | C | 7 | 45 | Nassau | C | 25 | 77 | Strasbourg | S | 2 | 36 | | | | |
| Berlin | S | 6 | 43 | Dubrovnik | | – | – | Los Angeles † | S | 9 | 48 | New Delhi | S | 20 | 68 | Sydney | F | 23 | 73 | | | | |
| Biarritz | R | 9 | 48 | Edinburgh | C | 11 | 52 | Luxembourg | S | 4 | 39 | New York † | S | 1 | 34 | Taipei | R | 18 | 61 | | | | |
| Bombay | S | 30 | 86 | Faro | S | 15 | 59 | Madeira | S | 20 | 68 | Nice | S | 13 | 55 | Tangier | R | 13 | 55 | | | | |
| Bordeaux | S | 11 | 52 | Florence | S | 10 | 50 | Madrid | F | 8 | 46 | Nicosia | F | 13 | 55 | Tel Aviv | H | 9 | 48 | | | | |

Temperatures at midday yesterday
† Noon GMT temperatures
C – Cloudy Dr – Drizzle
F – Fair Fg – Fog H – Hail
R – Rain S – Sunny
Sl – Sleet Sn – Snow
T – Thunder

FINANCIAL TIMES
COMPANIES & MARKETS
Wednesday December 16 1992





## INSIDE

### Petrofina sale in jeopardy

Plans by Petrofina, Belgium's oil company, for the $500m sale of half of its US refining and marketing assets to private Saudi Arabian investors could be jeopardised by the reluctance of the Saudi government to sanction the deal. If the Saudi deal does not go ahead by the end of the year Petrofina may put its paints division up for sale to repay some of its debt. Page 16

### Triplex Lloyd rises 6%

Triplex Lloyd, the UK industrial engineering group, increased interim pre-tax profits by 6 per cent to £3.3m ($5.2m) in spite of a deteriorating performance by its building products division. Page 21

### Burst of energy in Spain


The Madrid market has suddenly been energised by a financial community desperate to end the year as little out of pocket as possible. The Madrid general index may still be down 13 per cent on the year but in the last few weeks it has come bounding back from the low 180s it reached during the autumn currency crisis to close at 215.31 yesterday. Everyone is winning. Back Page

### Alcohol in the wrong spirit


German landowners producing alcohol from their own distilleries are being paid four times the market rate. This flies in the face of the European single market and must end, according to the Alcohol Free Trade Association. Page 28

### Russian vocabulary

As Russia opens up to the outside world and strives towards a market system, so its banks are waking up to the potential threat posed by foreign institutions. Russia has 1,550 so-called banks, but only 200 of them are big enough to be worthy of the name, according to a study of Russian banking. Page 20

### Under the Salomon shadow

Phibro Energy, the US oil trading and refining company, briefly emerged recently from the shadow of its parent, the Wall Street securities house Salomon, to announce a restructuring. The changes involve taking Phibro out of the business of making markets in physical oil products and merging the remaining trading and refining operations into Salomon. Page 17

### Market Statistics



### Companies in this issue



### Chief price changes yesterday

| | | | |
|---|---|---|---|
| **FRANKFURT (DM)** | | | |
| **Rises** | | | |
| Allianz AG | 1860 | + | 24 |
| Herlitz | 289.5 | + | 4.5 |
| Leifheit | 370 | + | 10 |
| Preussag | 348 | + | 6 |
| Volkswagen | 244.5 | + | 3.5 |
| **Falls** | | | |
| Rheinmetall | 247 | − | 6 |
| **NEW YORK ($)** | | | |
| **Falls** | | | |
| Compaq | 42½ | − | ½ |
| Chrysler | 31¼ | − | ⅝ |
| Digital Equipmt | 33⅛ | − | ½ |
| Ford | 41½ | − | ¾ |
| Gen Motors | 32⅜ | − | ½ |
| IBM | 57⅞ | − | 5 |
| **PARIS (FFr)** | | | |
| **Rises** | | | |
| Club Med | 368 | + | 13 |
| Damart | 3170 | + | 75 |
| Fin Poliet | 401 | + | 10 |
| UFB Locabail | 177 | + | 8.7 |
| **Falls** | | | |
| Air Liquide | 740 | − | 17 |
| Orsan | 98 | − | 10 |
| **TOKYO (Yen)** | | | |
| **Rises** | | | |
| Fuji Seito | 380 | + | 46 |
| Hitachi Elec | 1380 | + | 180 |
| Marantz Japan | 651 | + | 62 |
| Mitsui Wharf | 750 | + | 100 |
| Nitto Kako | 234 | + | 27 |
| Yokohama Matsui | 540 | + | 30 |

New York prices at 12.30pm.

| | | | |
|---|---|---|---|
| **LONDON (Pence)** | | | |
| **Rises** | | | |
| ASW | 75 | + | 10 |
| Assoc Br Ports | 348 | + | 18 |
| Burndeld | 103 | + | 10 |
| Courts (Furn) | 344 | + | 25 |
| Hammerson A | 277 | + | 23 |
| Hillsdown | 122 | + | 10 |
| [illegible] | 126 | + | 9 |
| Mirror Grp | 86 | + | 6 |
| Owners Abroad | 88 | + | 5 |
| P & O Dfd | 476 | + | 17 |
| PrinTech | 75 | + | 16 |
| Ransomes | 24 | + | 3 |
| Russell (A) | 65 | + | 5 |
| Shorco | 65 | + | 5 |
| Stanhope Prp | 18 | + | 3 |
| Tinsley (E) | 72 | + | 8 |
| **Falls** | | | |
| Arjo Wiggins | 132 | − | 9 |
| Campari | 201 | − | 12 |
| Electron Data | 475 | − | 35 |
| Glaxo | 791 | − | 18 |
| Reliance Sec | 123 | − | 18 |
| Sanderson El | 226 | − | 46 |
| Tadpole Tech | 166 | − | 13 |
| Wace | 52 | − | 25 |

# Eurotunnel offer rejected by contractors

By Richard Gourlay in London

TRANSMANCHE Link, the group of contractors building the Channel tunnel, yesterday brought into the open the simmering row over payments from Eurotunnel and implied that completion of Europe's largest construction project could be further delayed.

A statement issued by TML's 10 contractor members said Eurotunnel had made an inadequate offer of £1.2bn ($1.9bn) to settle the cost overrun on fixed equipment and fitting out of the tunnel. In particular, Eurotunnel's offer that about £200m of this should be paid with instruments such as shares, bonds and convertible instruments was unacceptable.

The statement, a year before the Channel tunnel is scheduled to operate, suggests that lack of co-operation between contractors and Eurotunnel could further delay the opening until the first quarter of 1994. Eurotunnel's shares closed down 11p at 329p.

Admission of the disagreement comes after events had been moving against the TML contractors. One observer said: "TML is running out of the main weapon it has, which is time."

Last month the committee of 220 creditor banks agreed to allow Eurotunnel to continue drawing down on its £6.8bn facility until after May 1994, when even the greatest pessimists expect the tunnel to be open.

The longer the row continues, however, the less likely is a phased introduction of tunnel operations allowing goods trains to begin before passenger operations. The two sides have been negotiating this contract modification, which could favour Eurotunnel by hastening revenue-earning.

TML's main concern appears to be the composition of the £1.2bn payment. It believes that since Eurotunnel's offer in the summer, the cash element has been reduced and the non-cash element has increased. Eurotunnel accepts this but says it falls within the August offer. Both sides stress they are willing to continue talking and work on the project is continuing. TML's joint chairmen said that an early settlement would "allow revenue-earning services to commence as soon as possible".

Eurotunnel said its priority was to complete the project as early as already agreed possible "so that it can open for revenue service in December 1993".

Lex, Page 14; Market, Page 29

# BP to cut workforce by 20,500 worldwide

By Deborah Hargreaves in London

BRITISH Petroleum yesterday announced it would cut a further 9,000 jobs worldwide by 1995, increasing an earlier figure for expected job losses to a total of 20,500, or 20 per cent of the workforce.

The cuts are in addition to previously announced plans to lose 11,500 jobs by early 1993.

The job losses are part of a cost-cutting drive launched by Mr David Simon when he became chairman this year. The company aims to cut $1bn from annual operating costs by 1995.

The company said yesterday it had set a target to make 5,000 direct job cuts over the next two years, with a further 4,000 jobs to be lost through the divestment of peripheral businesses.

The latest reductions will come mainly from the downstream part of the business – refining operations and petrol stations – where competition and low oil products prices have squeezed margins. But BP also indicated that further cuts in its corporate staff will be made.

BP has suffered from increasing levels of debts and a huge net cash outflow to fund its ambitious oil exploration programme. The company is expected to incur a loss of around £500m this year on a replacement cost basis, partly as a result of provisions made for job cuts mid-year.

The company's debt-to-equity ratio is at 87 per cent and, in spite of the dividend cut earlier this year, analysts believe it could rise above 90 per cent by the end of the year.

But Mr Simon hopes that by saving $1bn a year, he can add $600m to annual profits by 1995.

He hopes to cut $400m from refining and marketing costs, $300m from the corporate centre, $200m from exploration and production and $100m from chemicals. He also hopes to boost profits by a further $400m from reduced advanced corporation tax tax payments and improved efficiency.

● BP Chemicals yesterday said it was closing a 50,000 tonne a year butadiene plant with the loss of 40 jobs at its Baglan Bay site in South Wales, adds Paul Abrahams. Dow Chemical announced yesterday it was mothballing a 20,000 tonne a year polystyrene plant in Bilbao and shutting a 14,000 tonne a year latex unit from May.

London Stock Exchange, Page 29

**Louise Kehoe** analyses the latest cuts at IBM and why investors welcome them

# Big Blue turns mean and lean to survive recession

With yet another round of large-scale job cuts and manufacturing consolidation, International Business Machines, is desperately struggling to stem the erosion of its share of the world computer market in the face of market changes and a global economic slowdown.

Yesterday's announcements represent a further shake-up at IBM which only 12 months ago reorganised its operations into 13 semi-autonomous operations.

IBM will shed about 25,000 employees next year, resulting in a $6bn charge against fourth-quarter earnings. This comes on top of the $5.4bn charges that the company already planned to take this year to pay for other cost-cutting moves, including 40,000 job cuts. IBM employs about 300,000 worldwide.

The company will also shift resources to services, software and client-server computing and other growth segments of the computer market and away from its traditional areas of leadership including mainframe computers, data storage products and semi-conductors.

Revising these plans, IBM said it will give its business units greater control over their manufacturing operations and their facilities, with the "freedom to do what they need to do", such as cutting employment, reducing plant capacity or setting up their own sales forces.

Some of those business units may eventually sell their own stock, IBM said. The latest cuts were forced by "declining sales of computer hardware, coupled with rapid improvements in technology and productivity, [which] have reduced our capacity requirements", said Mr John Akers, IBM chairman.

The announcement by the world's largest computer manufacturer underscores the problems facing many multinational manufacturers as they confront economic slowdowns in North America, Europe and Japan.

However, IBM also faces problems that are unique to the computer industry which is in the middle of a transition from mainframe-based centralised information systems to "client-server" networks of desktop computers.

Yet the severity of IBM's problems and the scale of its cuts is shocking and even drew comment from President-elect Mr Bill Clinton, who was chairing an economic conference in Little Rock, Arkansas.

He said IBM's cuts illustrated the enormity of the pressures faced by US manufacturers. In particular, he expressed dismay that IBM will slash its product development spending.

"Product development will be cut by $1bn – the exact thing we don't want to be cutting," he said.

Investors were, however, pleased by IBM's announcement. "We have been urging IBM's board of directors to take action to put the company on a more profitable track," said Mr DeWitt Bowman, chief investment officer of the California Public Employees Retirement System (Calpers). "Frankly the situation is similar to General Motors," he said. "We prefer to see companies to address problems before drastic action is needed, but if it comes to that, then so be it.

"Only time will tell whether the latest round of cuts at IBM are sufficient," he added. Like many Wall Street analysts, Calpers is far from certain that the blood-letting is over.

In the strongest suggestion to date that IBM may abandon its "no lay-offs" policy, Mr Akers said that if business conditions do not improve significantly, "it is likely that some business units will be unable to maintain full employment in 1993".

Although his statement has created fear and uncertainty throughout IBM, it was welcomed by analysts who have long criticised IBM for not taking more decisive action to reduce its workforce. IBM said the 1993 workforce cuts will come from manufacturing and development organisations as well as support areas of its marketing and services units.

It said it will also make further reductions in its manufacturing capacity, concentrating primarily upon the company's mainframe, data-storage and semiconductor business units. These are IBM's traditional areas of strength and are the underpinnings of its claims to being a technology leader.

However, deteriorating sales of mainframe computers in particular, have masked the strengthening performance of IBM's mid-range computer, computer workstation, service and software businesses over the past year, according to industry analysts.

Until now, IBM's mainframe operations had been sacrosanct. Now, the company is specifically targeting the underperforming unit for cuts. Similarly, the data storage business unit, called Adstar, which produces large capacity disk-drives for mainframe computers, will have to cut its operations.

Semiconductors, one of the most capital intensive segments of IBM's operations, will also be cut for the first time, indicating that IBM may rely more in the future upon outside suppliers of components.

The cost and expense reductions will be focused on capital spending, development and sales and general and administrative expenses, IBM said.

Overall product development spending will be reduced by approximately $1bn in 1993 and capital spending, which has already been reduced by about $1bn this year, will continue to be cut.

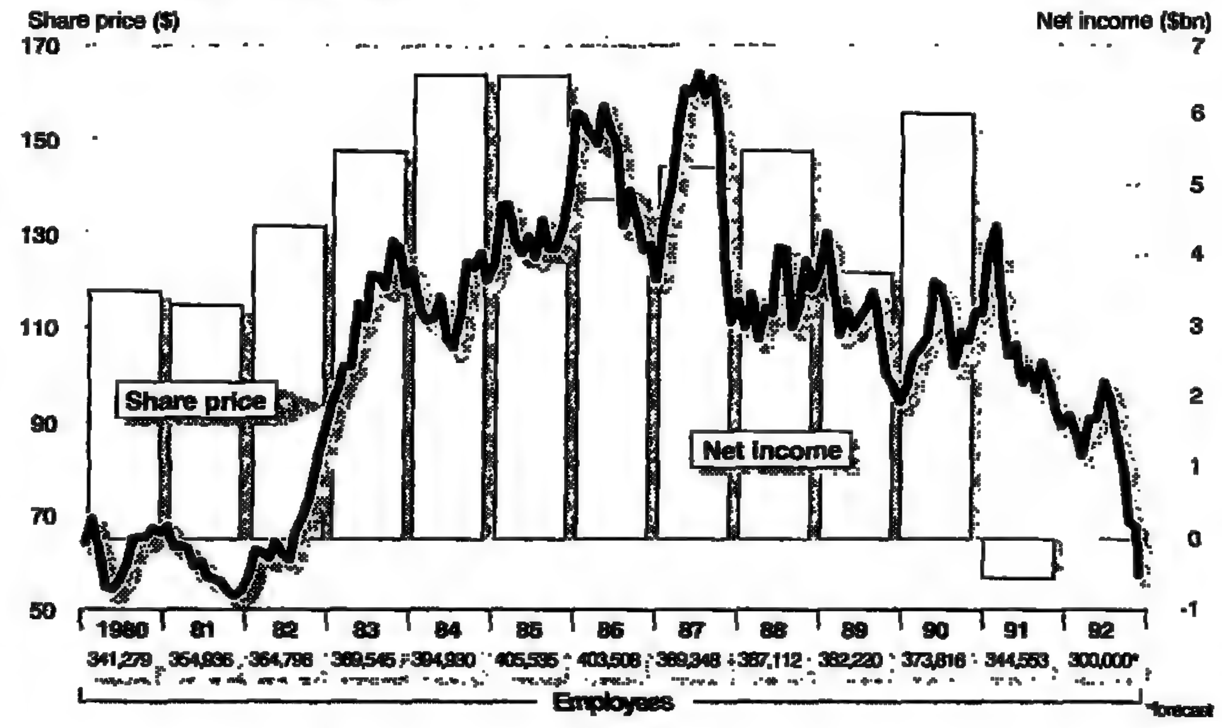
The company also expects sales, general and administrative expenses to decline by about $1bn next year.

"The actions we are announcing demonstrate IBM's continuing resolve to deal aggressively with the difficult transition that is occurring in the computer industry. The result will be a stronger and more prosperous IBM," Mr Akers concluded.

In the short term, however, IBM expects unfavourable business and economic conditions to continue into 1993 and that fourth-quarter results will be below expectations. It may also have to cut its $4.84-a-share dividend.

Any such cut would be sure to further depress IBM's stock price further, which yesterday hit a 10-year low, sinking $4⅝ to trade at $58¼ yesterday afternoon.

**The decline of IBM**




# Alitalia-led consortium buys 35% stake in Malev for $77m

By Nicholas Denton and Haig Simonian in Budapest

ALITALIA, Italy's state airline, yesterday cast aside its long-declared policy of avoiding alliances and equity stakes in other airlines by buying a 30 per cent share in Malev, the Hungarian national carrier.

A further 5 per cent is being bought by Simest, a recently created Italian state agency to promote investment abroad. Together the consortium is paying $77m for a combined 35 per cent share.

The value of the deal to Malev has been enhanced by Alitalia's undertaking to transfer routes to the Hungarian airline, increasing the total value of the transaction to around $100m, bankers said.

Alitalia will gain three seats on Malev's nine-member board as well as appointing two of the seven representatives on its supervisory board.

The Italian carrier will be "deeply involved" in strategic decisions taken by its Hungarian partner. However, Mr Andras Pakay, Malev managing director, said important strategic decisions would be taken jointly. Malev will also retain its national identity.

The Italian offer easily beats a rival bid from Lufthansa, the German flag-carrier, which was prepared to pay $59m. Only $9m-$10m of that would have been in cash and an association with Lufthansa would have almost certainly quashed Malev's ambitions to develop inter-continental routes.

Alitalia and Malev intend to integrate their services starting from the summer 1993 timetable and develop Budapest as a third hub alongside Rome and Milan. Alitalia will also gradually transfer to Malev exclusive rights to fly between Italy and Hungary.

The two companies gave no estimate for the impact on sales and earnings of the tie-up. Malev's pre-tax earnings of more than $28m last year made it eastern Europe's most profitable airline. The company's 1m passengers last year contributed to sales of $315m.

Alitalia, west Europe's fourth largest airline with more than 17m passengers, lost L35bn ($25m) in 1991 on sales of almost L6,000bn.

Malev will use the proceeds to finance the 15 per cent initial payment on two new extended-range Boeing 767 aircraft due for delivery next year and for further computerisation. It operates 18 Russian-made Tupelov jets.

# Insurers seek help on Paris property

By William Dawkins in Paris

FRENCH insurers are calling on the government for tax breaks to help them through the property crisis, less than a week after banks appealed for state assistance over bad property loans.

The request comes from the Fédération Française des Sociétés d'Assurance (FFSA), which estimates its members have a combined property investment portfolio worth FFr300bn ($56.6bn), on top of the FFr250bn-FFr500bn property loans made by banks, some of which are also insurance company subsidiaries.

Average rentals on Parisian property have fallen 20 per cent during the last three years, provoking heavy provisions by banks with loans to property developers.

The FFSA's appeal, made at a convention of its members, comes when the government is preparing measures to support the property industry. Mr Michel Sapin, finance minister, said the measures would be announced in the next few days.

The FFSA has called for investors to be excused capital gains tax on property providing that the capital gains are reinvested in building rented housing or offices for which planning permission was obtained before 1993.

Among its other ideas are a tax exempt property savings plan and a national database on property prices to help investors avoid price explosions such as that which preceded the decline in property values.

Mr Sapin is more interested in measures to support the construction industry, an important employer, than in bailing out institutional investors or property developers, said property analysts. This reflects the influence of Mr Pierre Bérégovoy, prime minister, who is understood to be reluctant to do anything that might be misinterpreted as bailing out property speculators.

Any proposals could well take the form of big infrastructure projects as envisaged in the European growth initiative, agreed at the Edinburgh summit.

Mr Sapin told a dinner held by the Association Française des Banques: "Contrary to certain foreign experiences, one should treat property assets as long-term holdings and avoid the collapse in prices which could be harmful to the financial system." The crisis would hit banks but not threaten their financial "foundations", he argued.

# Nedlloyd under further pressure from Hagen

By Ronald van de Krol in Amsterdam

NEDLLOYD, the Dutch transport group, has come under renewed pressure from Mr Torstein Hagen, the dissident shareholder who forced the company to appoint him to its supervisory board earlier this year.

He is seeking an extraordinary shareholders' meeting to make changes which would amount to a lifting of some of its anti-takeover defences.

DNO, the Norwegian-based oil company of which Mr Hagen is chairman, said yesterday it wanted Nedlloyd to end the restrictions on voting rights; to abolish its priority shares; and to change the system of electing its supervisory board, all of which are common mechanisms in the Netherlands to protect a company from outside influences or takeover.

Nedlloyd said it would consider DNO's request to call a meeting.

Mr Hagen's company said the proposed changes were designed to make Nedlloyd more responsive to shareholders. A company official declined to elaborate, but said Mr Hagen would hold a press conference today in Oslo.

"DNO is concerned about Nedlloyd's financial performance and the lack of action needed to make sure that an adequate return is being made on the company's significant assets," the company said.

It described Mr Hagen as feeling "frustrated", after attending only a couple of Nedlloyd supervisory board meetings, about his inability to make a "constructive impact". It said the root of Nedlloyd's problems was its self-perpetuating supervisory board, which, similar to other big Dutch companies, appoints its own members.

DNO wants the supervisory board to be elected by shareholders. "Any refusal by the current supervisory board to go along with this proposal can only be seen as an effort by this body to protect its own and management's entrenched positions," it said.

DNO said its proposals were supported by six other large shareholders, but it did not name them.

Mr Hagen, who is believed to control up to 25 per cent of Nedlloyd's shares, has twice waged battle with the company, culminating in his appointment to the supervisory board.

He has previously clashed with Nedlloyd on the speed of its divestment programme. Book profits from divestments enabled Nedlloyd to post a profit in 1991, but the company has said it will swing into loss in 1992, due in part to a lack of big divestments this year.

# Ferranti cuts pre-tax losses back to £10.9m

By Angus Foster in London

FERRANTI International, the electronics and defence company which came close to collapse after the 1989 discovery of large fraud in its US subsidiary, yesterday announced reduced losses but said its markets remained tough.

Mr Eugene Anderson, chairman, said that following the company's restructuring in the last two years it needed orders to generate cash. "We have bids out for about £400m ($620m) of business. If we win only £100m, that would totally transform us. We're at a very critical stage," he said.

Pre-tax losses improved from £28.8m to £10.9m in the six months to September 30. This resulted from reduced operating losses and no exceptional items, which cost £11.3m last time.

Ferranti's shares slipped 1¼p to 8¾p, partly because of uncertainty about when some large Middle Eastern defence contracts would be awarded. One analyst said: "If they can pull in a few of those contracts in the second half, it would greatly help cash-flow and their chances of finding an industrial partner."

Turnover fell from £212.4m to £109.4m. Most of the reduction stemmed from disposals, which last year included the sale of Ferranti's missile business to GEC. The rest resulted from recession and falling defence expenditure. Outstanding orders fell from £272.1m at year-end to £246.1m.

Litigation is continuing over the fraud, which involved the US subsidiary International Signal and Control. It cost Ferranti about £600m. Ferranti has recovered about £42m, mainly from ISC's auditor, KPMG Peat Marwick, and it does not expect further significant recoveries. Mr James Guerin, former chairman of ISC, was jailed for 15 years.

Ferranti's net borrowings fell more than £20m to £74.1m but still exceeded shareholders' funds of £62.2m. A £60m term loan until September is likely to be renegotiated early next year, Mr Anderson said.

# Petrofina deal with Saudi investors in jeopardy

By Deborah Hargreaves in London

PLANS by Petrofina, Belgium's oil company, for the $500m sale of half of its US refining and marketing assets to private Saudi Arabian investors could be jeopardised by the reluctance of the Saudi government to sanction the deal.

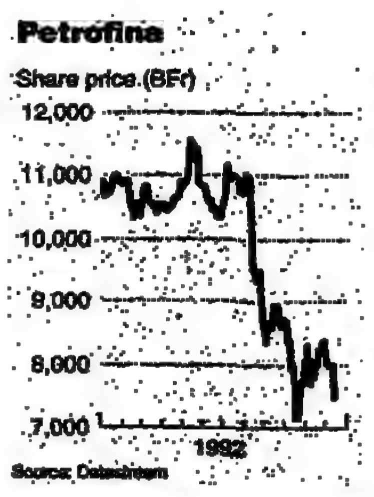
If the Saudi deal does not go ahead by the end of the year – a deadline set by the company – it raises the possibility Petrofina may put its paints division up for sale in order to repay some of its debt, according to industry analysts.

Petrofina's 86 per cent-owned US subsidiary, Fina, has been involved in talks with the Saudi investors for about 18 months. The sale would include 50 per cent of the company's two refineries at Port Arthur and Big Spring in Texas and its chain of petrol stations and chemicals plants.

Petrofina does not produce enough oil in the US to service its refining operations and the rationale behind the sale is that Saudi Arabia would provide crude oil to feed the refineries. However, the company is still not sure whether the deal will go ahead.

Petrofina, which announced on Monday it would halve its dividend pay-out this year due to significantly lower profit forecasts, has seen its debt to equity ratio increase to just over 50 per cent this year.

The company's shares fell sharply on the Brussels bourse yesterday as investors expressed their surprise at the extent of the dividend cut from




last year's BFr561 a share. The stock recovered slightly during the afternoon to close down BFr500 at BFr7,490.

Mr François Cornelis, Petrofina's chief executive officer said on Monday the company expected to see sharply lower profits for this year following the effect of the recession on its businesses.

The company indicated yesterday that 1993 would also be an extremely difficult year and it was not expecting to see an upturn in the western European economy until towards the end of next year.

Mr David Stedman, oil equity analyst at Daiwa Europe, expects the company to post a net profit of BFr7.3bn ($226m) this year, less than half last year's level of BFr16.3bn.

Petrofina's refining, marketing and chemicals assets are concentrated in Europe and the US which have borne the brunt of the recession. The company has almost no exposure to the Far East – where oil demand has been growing throughout the recession in Europe and the US.

The company announced it was slashing its capital expenditure from BFr52bn this year to BFr40bn next year, but it would continue to focus on its core investments, including the completion of deep water facilities at its Antwerp refinery and further development plans in the North Sea.

Petrofina faces potentially large investment costs for its 30 per cent stake in Norway's Ekofisk field where the authorities have called for safety standards to be improved. This could involve commissioning a new oil platform at a cost of over $1bn to the field's partners.

World stockmarkets, Back Page

# FCL to merge Canadian pulp, paper units

By Robert Gibbens in Montreal

FLETCHER Challenge, the international forest products, energy and construction group based in New Zealand, is merging its two Canadian pulp and paper units in a deal which is valued at nearly C$900m (US$750m).

The result will be a net C$177m cash transfer from the enlarged Canadian company to the parent in New Zealand.

FCL will continue to hold 72 per cent of the enlarged Fletcher Challenge Canada, which will have annual sales of more than C$1.5bn and rank among the top four Canadian integrated forest products companies.

Total capacity will be about 1.4m tonnes of newsprint and coated papers and 400,000 tonnes of pulp annually.

The timber side is profitable now, but the pulp and paper operations continue near break-even pending recovery in North American market prices.

FCC officials in Vancouver said that the merged company would have sales potential of far more than C$2bn a year once North American prices returned to normal.

The new company will include a new quoted paper mill in the US.

The merger is proposed in three steps and will be put before FCC shareholders in January.

● FCC buys the assets of Crown Forest Industries, a Vancouver Island pulp and paper and timber producer from the New Zealand parent for C$897m. FCC has been managing Crown Forest for the parent on a fee basis since 1988.

● FCC makes a public equity issue to raise about C$177m to be paid to the parent in part satisfaction of the purchase price for Crown Forest.

● FCL will finance the balance of the purchase price partly by taking up FCC equity to maintain its interest at 72 per cent.

Mr Raymond Kilroy, pulp and paper analyst with Nesbitt Thomson, Toronto, said that the terms were reasonable and they were in line with industry values.

The enlarged FCC will have a favourable debt-equity ratio of 30-70.

"The mills are in excellent shape and both companies have already shed non profitable assets.

"The new FCC will be ready for the upturn in 1993-4," he said.

# GE Lighting joins forces with Hitachi

By Nikki Tait in New York

GE LIGHTING, part of General Electric Company of the US, is linking with Japan's Hitachi to market, sell and distribute lighting equipment in Japan.

The joint venture will give GE access to Hitachi's domestic distribution network, and will be used to market GE products.

As a result, the companies claimed, the 50-50 owned venture, to be known as Hitachi GE Lighting, will become a "major" importer of light bulbs into the Japanese market.

It will also be used to market new products aimed at Japanese consumers, principally designed and manufactured by GE.

GE Lighting, with annual turnover of around $3bn, said sales via the venture would probably begin in April.

The US company will merge its existing GE Lighting Japan subsidiary into the new joint venture.

Mr John Opie, president of GE Lighting, said that the venture gave GE "an opportunity . . . to enhance significantly our position in the $2bn Japanese lighting market, which is expanding much faster than the overall world lighting market."

# Profits decline at Danisco

PRE-TAX PROFITS at Danisco, the Danish distilling, sugar and packaging group, were down at the half-year to October 31 to DKr323m ($53.8m) from DKr468m, writes Hilary Barnes in Copenhagen.

The group blamed "exceptionally difficult economic conditions," including weak international demand and the appreciation of the krone against a number of currencies which have devalued recently.

The group's half-year sales were up slightly from DKr6.43bn to DKr6.47bn. Profits before financial items and minority shares fell by only DKr6m to DKr495m. Investment in the half year increased from DKr687m to DKr853m.

The group said second-half pre-tax profits would be higher, but lower than last year.

● Lauritzen Group, the shipping and shipbuilding business, said it would break even in the current year after difficult conditions in international shipping and offshore drilling. The group made a pre-tax profit of DKr588m in 1991 on turnover of DKr8.15bn.

# Patent granted for herbicide resistant plant

A EUROPEAN Patent Office hearing yesterday confirmed the first patent for a herbicide resistant plant, in a test case with important implications for agrochemical, biotechnology and seeds companies, writes Clive Cookson, Science Editor. The patent was granted to Plant Genetics Systems of Belgium and Biogen of the US for plants genetically engineered to resist Basta, a broad-spectrum weedkiller made by Hoechst of Germany.

# Moody's downgrades Volvo

By Christopher Brown-Humes in Stockholm

MOODY'S Investors Service, the US credit rating agency, has downgraded the commercial paper ratings of Volvo, the Swedish motor vehicle manufacturer, to Prime-2 from Prime-1.

Moody's acknowledged that Volvo had undertaken an aggressive cost-reduction programme.

However, the rating agency said that Volvo still had excess production capacity and a cost structure which would prevent a return to strong profitability until demand picked up significantly.

Moody's said that the downgrade reflected the outlook for continued pressure on Volvo's earnings performance and the potential for further weakness in the company's debt-protection measurements.

Moody's added that it also reflected the erosion of Volvo's financial flexibility caused by the decline in the value of its non-strategic investments outside the automotive industry.

# Rémy-Cointreau up at FFr104m in first half

REMY-COINTREAU, the French drinks group, yesterday announced a slight increase in net profits for the first half of this year, writes Alice Rawsthorn in Paris.

The group, which is best known for Cointreau, its orange-tasting liqueur, saw net profits increase to FFr103.8m ($19.5m) in the six months to September 30 from FFr101.4m in the same period last year.

# Gerber forecasts lower earnings as price war bites

By Nikki Tait in New York

GERBER Products, the US baby food manufacturer, yesterday warned that "unprecedented competitive activity" meant it was lowering earnings estimates and expected a fall in sales volumes this year. Gerber shares plunged $4⅞ to $30¼ before the close.

The company, which has about 70 per cent of the US market, said that until late-November – halfway through its third quarter – it had been expecting volume growth of between 1 and 3 per cent, and earnings in the year to end-March of $2.05 to $2.10 a share.

Since then, the group said there had been "a dramatic change in the competitive situation and the resulting order rate".

Gerber tried to push up prices in October, and this, coupled with a subsequent price-war, left its products looking expensive.

"In one key market, our products were priced at more than twice that of our closest competitor," the company complained.

Gerber said it would probably show a fall in volumes during the year of around 3 to 4 per cent, while earnings per share are expected to dip to $1.80 to $1.90, from $1.93 in 1991-92.

Gerber's two main competitors US are Ralston Purina, via its Beech-Nut subsidiary, and H.J. Heinz.

# Monsanto sells stake in Mexican venture

By Alan Friedman in New York

MONSANTO, the US chemicals group, said yesterday it had agreed to sell its 40 per cent stake in Grupo IRSA, a joint venture commodity chemicals company in Mexico.

Financial terms were not disclosed, but it is understood Monsanto will receive about $50m for its shareholding and the sale will occur before year-end. The buyer is DESC Sociedad de Fomento Industrial, Monsanto's partner in the Mexican venture and the holder of 60 per cent of its equity.

The Mexican joint venture, which was formed in 1971, has about $400m of annual revenues and 19 plants in Mexico.

Mr Robert Reynolds, a Monsanto vice-president and managing director for Latin America, said changes in Monsanto's worldwide product portfolio had led to the decision.

Mr Reynolds said Monsanto still had a significant presence in Mexican markets through local subsidiaries, and that co-operation would continue with DESC in some areas.

Last August, Monsanto agreed to sell its Fischer Controls subsidiary in the US for $1.275bn. Last month, the company disclosed an extraordinary after-tax charge of $425m against fourth-quarter earnings, and said it planned to cut 3,200 jobs.

# Fedex sees improvement

FEDERAL Express, the Memphis-based delivery company, lifted second-quarter after-tax profits to $37.9m in the three months to end-November, against $26.5m a year ago, writes Nikki Tait.

Revenues were virtually flat at $1.96bn, against $1.94bn.

The group's troubled international operations made progress, although they still posted an operating loss of $37.6m on revenues of $564.2m, compared with a $69.6m loss on revenues of $651.6m a year earlier.



# Phibro restructuring aims to refine its operations

## The Salomon unit is going back to basics by focusing on oil products trading, writes Patrick Harverson

PHIBRO Energy, the US oil trading and refining company, briefly emerged recently from the shadow of its more illustrious parent, the Wall Street securities house Salomon, to announce a significant restructuring.

The changes involve taking Phibro out of the business of making markets in physical oil products and merging the remaining trading and refining operations into Salomon. This represents something of a retreat from the oil business for Salomon, which is taking a fourth-quarter pre-tax charge of between $25m and $35m to cover the costs of the changes.

As recently as May of last year, Mr Andrew Hall, Phibro's chairman, was discussing ambitious plans. There was talk of building Phibro into an operation worthy of joining the ranks of the leading oil companies, one that was involved in every part of the business from the oil well to the petrol pump.

This seemed conceivable in the late 1980s when, due to some astute bets on oil prices and a healthy refining business, Phibro was making huge profits. In 1990, it earned $492m, more than Salomon's marquee bond trading business.

Those ambitions, however, never came close to realisation. An unfavourable shift in oil market conditions (trading companies thrive on volatility, but since the end of the Gulf war oil prices have been unusually stable and low), narrowing margins in the oil products trading business, and losses on a risky oil production joint venture in Russia took their toll.

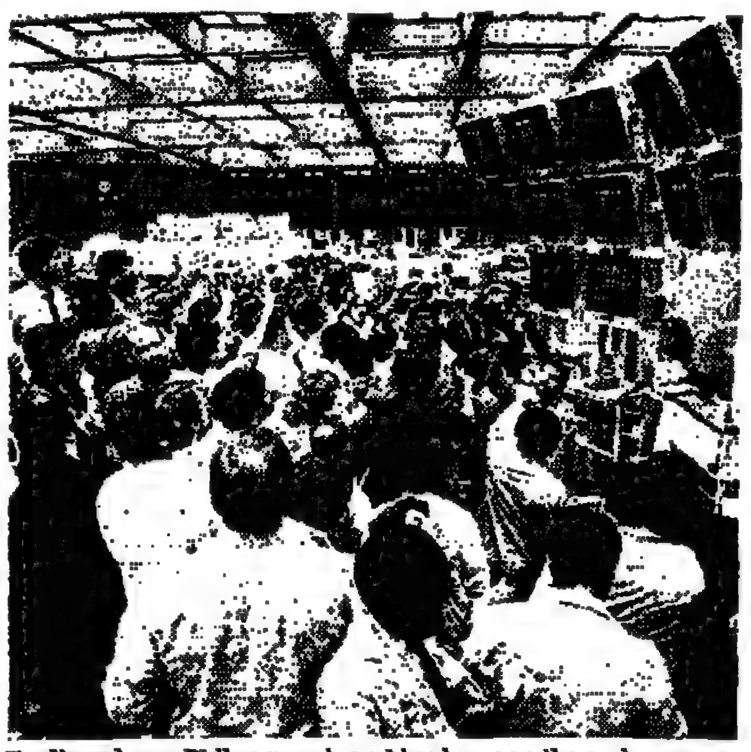
In 1991, the company plunged into the red with a $34m loss. This year has been not much better – in the most recent quarter, Phibro reported a pre-tax loss of $23m.

These problems, coupled with separate, but equally important, upheavals within Salomon's Wall Street business stemming from the August 1991 bond market scandal at its Salomon Brothers unit, convinced Phibro's and its parent's management that big changes were required.

As Mr Robert Denham, Salomon's chairman, says, the motivation to restructure Phibro came from Mr Hall, who felt Salomon's shareholders would be best served if Phibro handed over the refining and production operations to Salomon, where they would report directly to Mr Denham, and if the company restructured its oil products trading business.

This would leave Phibro, and Mr Hall, to concentrate on trading crude oil, selective oil products, precious metals, petrochemicals, other commodities and energy-related derivative products. Mr Hall maintains: "I wanted to devote my attention 100 per cent to our trading business – that's where we get the best returns on our capital."

Phibro, in fact, was getting no return on its capital from its oil products marketmaking operations, which had become increasingly unprofitable as the business became more transparent and competitive.



Trading places: Phibro remains a big player on the exchanges

Mr Hall says: "When you add it all up, the margins of the business just don't cover the hidden costs."

The separation of Phibro USA, which owns four oil refineries, from Phibro's trading operation is a blow to Mr Hall's hopes that profitable synergies would result from running the two together.

It is something that Mr Hall appears to have come to terms with some time ago, because the refining business has recently been run from Houston, Texas, as a stand-alone operation with its own small trading staff.

The future of the refining business is now Mr Denham's responsibility. The Salomon chairman, a lawyer by trade and with no particular experience of the oil business, says his role is to "think in an economically rational way about strategic decisions" affecting the operation.

Options being considered include joint ventures, a spin-off of the business to shareholders, or an outright sale of the refineries. Mr Denham, however, is in no hurry: "There is nothing horribly broken in the business that requires an immediate fix."

The question of what to do with Phibro Energy Production, the big joint production venture in Russia known as White Knights, is also now Mr Denham's responsibility. Although White Knights – the largest foreign oil venture in the former Soviet Union – is producing plenty of oil for export, a complicated and unresolved tax problem means Phibro is losing money on what was always a high-risk operation.

The main impact of the Russian venture so far has been to dissuade Phibro from becoming more involved in the production business. Mr Denham says: "I suppose if the White Knights experience had been a super success . . . that would have encouraged us in the original direction – the thought that White Knights would be the first step towards more production ventures."

Mr Denham does not expect to spend much time on White Knights; he is happy with the project's management team, and is cautiously optimistic. "I still think that we have a pretty reasonable prospect of getting money out of it."

The changes at Phibro should be seen in the wider context of the recent restructuring of its parent, Salomon. When Mr Warren Buffet, the billionaire investor, took over the chairmanship of Salomon immediately after last year's bond trading scandal, one of his earliest criticisms was that Salomon Inc, the parent company, and Phibro, the oil business, were both run to benefit Salomon Brothers, the Wall Street firm.

In contrast, Mr Buffet wanted to run the group for the benefit of its shareholders, by having a holding company (Salomon Inc) that acted as a holding company. Mr Denham, who took over from Mr Buffet earlier this year, inherited a new management structure that ensured the two subsidiaries were run to benefit the parent company.

The integration of Phibro into the parent group is, therefore, a continuation of Buffet's reforms, which also included Salomon Brothers refocusing on its core businesses.

As one Wall Street analyst says of the Phibro restructuring: "Look at it in the context of Salomon's restructuring – it's a getting back to basics. Oil refining and production was always a bit out of the way for them."

**SALOMON INC EARNINGS ($m)**

| YEAR | 1987 | 1988 | 1989 | 1990 | 1991 |
|---|---|---|---|---|---|
| Salomon Brothers | 253 | 513 | 534 | 416 | 1,036 |
| Phibro Energy | 60 | 227 | 375 | 492 | (34) |
| Philipp Brothers* | 52 | 48 | (116) | (168) | – |
| Total pre-tax income** | 365 | 788 | 793 | 740 | 1,002 |

*Philipp Bros commodity subsidiary is no longer a reportable industry segment
**Excludes losses due to non-recurring special items and corporate expenses
Source: company figures

## INTERNATIONAL COMPANIES AND FINANCE

# Battle to seize control of Astra Intl stepped up

By William Keeling in Jakarta

THE BATTLE for control of Astra International, Indonesia's biggest motor group, intensified yesterday with Mr Sumitro Djojohadikusomo, Astra chairman, blocking the proposed sale of 44.6 per cent of the company by the Soeryadjaya family, its majority shareholders.

In a related development, government officials yesterday confirmed a liquidation order had been placed on Bank Summa, which is privately-owned by the Soeryadjaya family. The bank has outstanding obligations of Rp1,600bn ($780m). It owes about Rp890bn to depositors, Rp300bn to the central bank and around Rp400bn to commercial banks.

At the weekend, the Soeryadjayas reached agreement for the sale of 108m shares in Astra with a consortium led by Mr Prajogo Pangestu, who controls a substantial timber business. The consortium is acting under the umbrella of Yayasan Pasetya Mulya, a management institute reportedly funded by members of Indonesia's Chinese business community.

Brokers say the consortium includes Mr Liem Sioe Liong, who runs the Salim Group, and Mr Eka Wijaya, head of the Sinar Mas Group.

In September, the Soeryadjayas agreed not to sell Astra shares without Mr Sumitro's approval.

Mr Sumitro said Toyota Motor of Japan, the vehicles of which provided half of Astra's Rp4,933bn turnover in 1991, opposed the sale due to the consortium's composition.

"I am responsible for maintaining the relationship with Toyota Motor management," he said. Government officials, however, suggested the liquidation of Bank Summa may result in Mr Sumitro losing his right of veto.

The Soeryadjaya family, prior to their agreement with Mr Sumitro, had pledged 100m shares in Astra against a loan of Rp500bn from a consortium of three banks.

# China Airlines in $110.4m share offer

CHINA Airlines, Taiwan's flag carrier, has launched a public offer of shares worth T$2.8bn (US$110.4m), becoming the island's first airline to go public. Reuter reports from Taipei.

Applications to buy the 41m shares, priced at T$68 each, will be accepted from today. CAL plans a stock exchange listing in mid-February.

"The offer will help us raise money to repay debts and finance purchases of new aircraft," CAL said. It plans to expand foreign operations.

CAL is currently 85 per cent owned by the China Aviation Development Foundation, technically a private body. The remaining 15 per cent was sold to local companies and CAL employees in share placements that began late last year.

The public offer will reduce the foundation's ownership to about 80 per cent. Foreign investors will be allowed to buy the shares.

CAL has remained profitable in recent years despite the difficulties faced by many international airlines. In the first nine months of 1992, pre-tax profits were T$4bn on revenue of T$33bn.

CAL, which flies to 26 countries and territories, operates a fleet of 30 aircraft and plans to expand this to 34 by the end of next year.

A recent survey found CAL was the world's fourth most profitable airline, after British Airways, Singapore Airlines and Cathay Pacific.

# Streisand deal with Sony could exceed $40m

By Alan Friedman in New York

SONY'S US movie and recorded music subsidiaries have struck an exclusive and long-term deal with Ms Barbra Streisand, the singer and actress. The contract is believed to be worth at least $40m and could rise to as much as $60m.

The contract was orchestrated by a Sony team that included Mr Mickey Schulhof, vice-chairman of Sony USA, Mr Peter Guber, chairman of the Hollywood-based Sony Pictures Entertainment group, and Mr Mark Canton, chairman of Sony's Columbia Pictures division.

Although large, it is consistent with other such deals for US superstar entertainers.

Madonna, the pop star, recently agreed a $60m multimedia deal with the Time Warner group, while Mr Michael Jackson, another entertainer, has a similarly-sized contract with Sony Music.

Sony yesterday said it could not comment on the financial terms of the new contract.

But one executive explained that it could total as much as $60m, depending on how many films Ms Streisand became involved in and whether she worked as an actress, producer or director.

Some parts of the new Streisand deal are believed to be extend to 10 years.

The contract covers recorded albums, as well as acting, directing and producing feature films.

The 50-year-old Ms Streisand began her career in 1962 with Columbia Records, part of CBS Records.

CBS Records was acquired by Sony four years ago, and Ms Streisand has remained under contract with the Sony record division.

Last year, Ms Streisand directed Prince of Tides, a Columbia Pictures film that cost about $30m to make and earned $125m in gross worldwide receipts at the box office.

# Hostile reaction to Black plan to raise Fairfax stake

By Kevin Brown in Sydney

AN ATTEMPT by Mr Conrad Black's UK Daily Telegraph group to raise its stake in Australia's Fairfax newspaper group from 14.33 per cent to 25 per cent appears likely to fail following a hostile reaction from members of the government.

The government said yesterday that the Telegraph had made a formal application to the Foreign Investment Review Board (FIRB) for a relaxation of the existing 15 per cent ceiling on its Fairfax shareholding.

The application accords with Mr Black's intentions when Fairfax was acquired last year by the Tourang consortium, led by the Telegraph. However, it appears to have rekindled political opposition to foreign media holdings.

Mr Barry Jones, president of the governing Labor Party, said Mr Black's move could even trigger an attempt by Labor's federal parliamentary caucus to tighten existing rules on foreign ownership of newspapers.

Conrad Black: claiming the support of the Keating cabinet

The Telegraph's application is likely to be considered sympathetically by the FIRB, which investigates all proposals by overseas companies to acquire more than 15 per cent of Australian companies.

The FIRB has adopted a relaxed approach to inward investment in recent years and has approved about 95 per cent of applications since Labor was elected in 1983.

But decisions by the FIRB have to be approved by Mr John Dawkins, the federal treasurer, who is subject to binding resolutions by the parliamentary caucus.

The Telegraph wanted a 20 per cent stake in Fairfax when the group was acquired by Tourang, but was limited to 15 per cent by the caucus, which put a ceiling of 20 per cent on total foreign ownership. This included a 5 per cent stake held by Hellman and Friedman, the US investment bank. The rest of the shares are owned by Australian institutions and private shareholders.

Mr Black has previously indicated that the Telegraph's hopes of increasing its stake in Fairfax were supported by Mr Paul Keating, the prime minister, and other senior ministers.

However, Mr Keating's office denied that any guarantees of support had been given to Mr Black. Officials also suggested that the government was not keen to have the foreign ownership issue aired in the run-up to next year's election.

# Vodafone granted Australian licence

By Kevin Brown

THE Australian government yesterday awarded a licence to operate a third mobile telephone network to a consortium led by Vodafone, the UK telecommunications group.

Mr Bob Collins, the communications minister, said the Arena GSM consortium would pay A$140m (US$96.6m) for the licence, which attracted offers from four consortia.

The Arena consortium comprises Vodafone and two Australian companies, AAP Telecommunications and Exicom. The main competitor for the licence is believed to have been a consortium led by Singapore Telecommunications.

The government said the Arena offer would create about 5,000 jobs. Arena is believed to have promised to direct research and development spending to Australia to help develop the local telecommunications industry.

Arena will compete with mobile services offered by Australia Telecom, the government-owned carrier, and Optus, a consortium owned by BellSouth of the US, Cable & Wireless of the UK, and Mayne Nickless, the Australian transport group.

Australia Telecom and Optus have provided competing analogue mobile services since July, but will switch to group special mobile (GSM) digital services next year.

All the bidders for the third licence offered to use digital technology from the commencement of services. But Arena is thought to have won partly because of its experience in operating GSM in Europe.

# Jardine Strategic buys 16% stake in C & C

JARDINE Strategic Holdings has acquired 16 per cent of Cycle & Carriage, the Singapore conglomerate, for S$212.5m ($129.6m), Reuter reports from London.

The company said it bought the 33.7m share stake from OCBC Securities, part of Oversea-Chinese Banking group.

C & C is a large motor vehicle distributor with interests in property, food and retailing in Singapore and Malaysia. For the year ended September, it made net profits before extraordinary items of S$66m on sales of S$1.56bn.

Jardine's managing director, Mr Nigel Rich, said: "It is policy to hold significant stakes in major companies and over time we would be looking to consolidate our investment."

## INTERNATIONAL CAPITAL MARKETS

# Treasuries subdued as prices firm slightly

By Sara Webb in London and Patrick Harverson in New York

IN THE absence of fresh important economic data, the US Treasury market remained subdued yesterday morning, with prices firming slightly in light trading.

By midday, the benchmark 30-year government bond was up 1/16 at 101 31/32, yielding 7.454 per cent. Prices at the short end of the market were slightly firmer at midsession, up 1/32 to 99¾, yielding 4.742 per cent.

### GOVERNMENT BONDS

The main feature of the morning session was short-covering, which gave prices at both ends of the maturity spectrum a modest lift. The only data release of the day – a 0.3 per cent decline in business inventories – was in line with expectations.

Prices at the long end were held back by the Tennessee Valley Authority's offering of $1bn in 30-year bonds. Dealers expected that the TVA bonds would eventually put downward pressure on longer-dated government securities.

■ Short-dated French government bonds closed lower yesterday as the franc continued to come under pressure in the foreign exchange markets and short term interest rates edged higher.

The Bank of France and the Bundesbank intervened to support the French currency, preventing it from breaking through the level of FFr3.42 to the D-Mark, dealers said. The Franc/D-Mark exchange rate was quoted at 3.4175 by late afternoon.

Three-month money rates rose from a spread of 10 11/16-11 3/16 per cent to 10¾-11 3/16 per cent. Among short-dated issues, the yield on the 8 per cent bond due 1994 moved from 8.34 per cent to 8.38 per cent. Longer-dated issues ended unchanged on the day.

The French Treasury announced that it would auction FFr14bn to FFr16bn of two and five-year notes tomorrow.

■ REPORTS that Mr Bettino Craxi, leader of the Italian socialist party, is under investigation in connection with a political corruption scandal, sent Italian government bonds sharply lower yesterday, with long bonds losing a point.

The May 2002 bond fell from a high of 93.80 to 92.75 while the futures contract tumbled from 93.99 to 92.93.

Elsewhere in Europe, German government bonds edged up in thin trade, closing at the high of the day.

The market paid little heed to comments from Mr Otmar Issing, Bundesbank board member, who said he expected M3 money supply to grow more slowly in November and December, after October's figure of a 10.3 per cent annualised rise. Mr Issing added that German inflation was still high and unlikely to ease in coming months.

■ THE RELEASE of better-than-expected economic data helped to depress UK government bond prices, and longer-dated gilts lost nearly half a point.

Dealers said the producer prices and industrial production data released yesterday were stronger than expected, wiping out hopes of an imminent cut in the base rate. Producer output prices showed a rise of 0.3 per cent in November from October, and input prices showed a rise of 2.4 per cent.

The Liffe gilt futures contract slipped from 99.28 to 99.18, while the 9¾ per cent gilt due 2002 fell from 109 5/32 to 108 25/32.

■ JAPANESE government bonds opened on a weak note, but the release of disappointing economic data helped to lift prices later in the day and bonds ended slightly firmer or little changed.

Bond prices continued their downward drift early in the trading session with the futures contract falling from 107.46 at the opening to a low of 107.28. However, dealers said news that machinery orders for October showed a fall of 23.7 per cent year-on-year may have helped to support prices as the fall in orders was bigger than expected.

The futures contract closed unchanged at 107.46 while in the cash market, the yield on the No 145 JGB moved from 4.645 per cent at the opening to close at 4.625 per cent.

### BENCHMARK GOVERNMENT BONDS

| | | Coupon | Red Date | Price | Change | Yield | Week ago | Month ago |
|---|---|---|---|---|---|---|---|---|
| AUSTRALIA | | 10.000 | 10/02 | 107.0195 | -0.476 | 8.91 | 8.77 | 8.81 |
| BELGIUM | | 8.750 | 06/02 | 104.7500 | -0.040 | 8.01 | 8.00 | 8.05 |
| CANADA * | | 8.500 | 04/02 | 102.7000 | -0.150 | 8.08 | 7.95 | 7.83 |
| DENMARK | | 9.000 | 11/00 | 100.0700 | -0.690 | 8.98 | 9.07 | 8.65 |
| FRANCE | BTAN | 8.500 | 03/97 | 100.8845 | - | 8.22 | 8.12 | 8.05 |
| | OAT | 8.500 | 11/02 | 101.7350 | - | 8.23 | 8.25 | 8.01 |
| GERMANY | | 8.000 | 07/02 | 103.9700 | +0.030 | 7.40 | 7.40 | 7.41 |
| ITALY | | 12.000 | 05/02 | 92.7650 | -1.035 | 13.62† | 13.76 | 13.37 |
| JAPAN | No 119 | 4.800 | 06/99 | 101.2583 | - | 4.55 | 4.47 | 4.55 |
| | No 145 | 5.500 | 03/02 | 105.6742 | +0.102 | 4.63 | 4.61 | 4.62 |
| NETHERLANDS | | 8.250 | 08/02 | 105.2300 | +0.050 | 7.45 | 7.48 | 7.51 |
| SPAIN | | 10.300 | 06/02 | 98.2000 | -0.100 | 12.45 | 12.71 | 12.37 |
| UK GILTS | | 10.000 | 11/96 | 108-26 | -4/32 | 7.38 | 7.39 | 7.03 |
| | | 9.750 | 08/02 | 108-20 | -12/32 | 8.42 | 8.38 | 8.14 |
| | | 9.000 | 10/08 | 102-20 | -12/32 | 8.69 | 8.68 | 8.58 |
| US TREASURY * | | 6.375 | 08/02 | 97-01 | +10/32 | 6.79 | 6.78 | 6.82 |
| | | 7.625 | 11/22 | 102-03 | -4/32 | 7.45 | 7.45 | 7.59 |
| ECU (French Govt) | | 8.500 | 03/02 | 98.1250 | +0.050 | 8.80 | 8.80 | 8.69 |

London closing, *denotes New York morning session. Yields: Local market standard. † Gross annual yield (including withholding tax at 12.5 per cent payable by non-residents.)
Prices: US, UK in 32nds, others in decimal. Technical Data/ATLAS Price Sources

### FT FIXED INTEREST INDICES

| | Dec 15 | Dec 14 | Dec 11 | Dec 10 | Dec 9 | Year ago | High * | Low * |
|---|---|---|---|---|---|---|---|---|
| Govt Secs (UK) | 93.50 | 93.71 | 93.84 | 93.64 | 93.74 | 87.22 | 95.54 | 85.11 |
| Fixed Interest | 108.78 | 109.01 | 108.94 | 108.86 | 108.93 | 97.47 | 110.26 | 97.15 |

Basis 100: Government Securities 15/10/26; Fixed Interest 1928.
* for 1992. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed Interest high since compilation: 110.26 (12/11/92), low 50.53 (3/1/75)

### GILT EDGED ACTIVITY

| Indices* | Dec 14 | Dec 11 | Dec 10 | Dec 9 | Dec 8 |
|---|---|---|---|---|---|
| Gilt Edged Bargains | 104.1 | 105.1 | 125.9 | 119.2 | 119.1 |
| 5-Day average | 114.7 | 117.7 | 122.8 | 123.3 | 125.7 |

* SE activity indices rebased 1974

# IADB reopens July issue to raise $200m

By Tracy Corrigan

THE Inter-American Development Bank raised $200m yesterday by reopening an existing $500m issue launched in July.

Although placement proved rather slow, due to the slowdown in investor activity during the Christmas season, dealers reported some interest from investors bullish on the dollar, who have been buying short-dated dollar bonds selectively. However, the deal, which matures in August 1997, was considered aggressively priced, offering a yield of just five basis points above the comparable US Treasury. Lead manager Salomon Brothers pointed out that the margin was 15 basis points when calculated over the interpolated yield curve.

### INTERNATIONAL BONDS

The original $500m issue had become very expensive. After the deal was launched in July at 18 basis points over the comparable Treasury, the spread had tightened to 10 basis points below the curve. Dealers said this anomaly existed because of the lack of Eurodollar bonds, preferred by some investors because they are issued in bearer form, which trade below par.

By the end of the day the spread on the new tranche had widened from five to 11 basis points over the five-year Treasury yield.

● Moody's has placed the long-term debt ratings of International Business Machines under review for possible downgrade, affecting $18bn of debt. The move threatens to widen further the gulf between Moody's and Standard & Poor's assessments of IBM's creditworthiness.

IBM's debt is still rated AAA by S&P, although with a negative outlook, while Moody's rates IBM's senior debt two notches lower at Aa2.

Moody's said the latest review was triggered by IBM's announcement that it was taking a $6bn charge in the fourth quarter to cover further workforce and capacity reductions.

● British Airways' £300m of unsecured Eurosterling bonds has also been placed under review for possible downgrade by Moody's following BA's bid to acquire up to 25 per cent of Qantas Airways.

The Australian government, which is in the process of privatising the 100 per cent-owned airline, is expected to decide whether to accept the acquisition in January. BA is also awaiting a decision by the US Department of Transportation on a $750m investment in USAir.

The review will focus on the impact of these potential investments and the operating benefits which could be realised.

### NEW INTERNATIONAL BOND ISSUES

| Borrower | Amount m. | Coupon % | Price | Maturity | Fees | Book runner |
|---|---|---|---|---|---|---|
| US DOLLARS | | | | | | |
| Inter-American Dev Bank(a) | 200 | 6 | 98.965 | 1997 | 25/12½bp | Salomon Brothers Inc. |
| D-MARKS | | | | | | |
| Draeger Finance(b)‡ | 100 | (b) | 100 | 1996 | 50/20bp | Dresdner Bank |

Final terms and non-callable. ‡Floating rate note. a) Fungible with outstanding $500m issued in August. Plus 131 days accrued interest. b) Coupon pays 50bp above 6-month Libor.

# Russian banks face up to a hard currency challenge

**Leyla Boulton in Moscow examines the threat to the existing order from foreign institutions**

AS Russia opens up to the outside world and strives towards a market system, so its banks are beginning to wake up to the potential threat posed by foreign institutions.

Russia has 1,550 so-called banks, but only 200 of them are big enough to be worthy of the name, according to an exhaustive study of Russian banking*.

With inflation exceeding 2,000 per cent this year, none of the banks provide long-term rouble finance, and their hard currency deposits are placed in foreign banks rather than relent inside the country.

Even those banks which act as more than transmission belts for central bank credit to state-owned enterprises, face severe shortages of staff, resources and experience. The environment in which they operate throws up serious additional handicaps. The settlements system, for example, is a nightmare: banking documents are handwritten, often get lost, and can take weeks to clear.

However, the authorities are aware that the very weaknesses which make Russian banks fear competition militate in favour of a foreign banking presence. The Russian central bank, rebuffing calls by parliament to stop the distribution of licences to foreign banks until 1994, said foreign banks would help attract badly-needed foreign investment.

Mr Arkady Volsky, head of Russia's industrialists, claims that if foreign banks were allowed to take deposits from Russian enterprises, which presently put their hard currency earnings in bank accounts abroad, it would help stem the capital flight which is plaguing Russia's reform efforts.

In the next week, the central bank is due to produce regulations to assuage Russian banks' fears without closing the door to foreign banks.

"The regulations' main feature will be to counter the accusation that foreign banks will be pumping money abroad. Our position will be vice-versa: that money absorbed by foreign banks will be invested here," said Mr Viktor Gerashchenko, central bank chairman told the Financial Times.

Without giving details of how this would be achieved, he said banks would be required to hold a net asset position – compelling them to keep more money within the country than they take out.

Foreign banks eagerly await details, even though only five of the many with representative offices in Moscow have applied for licences to establish subsidiaries.

While welcoming the idea in principle, western bankers want to know how it will be enforced. "You cannot force banks to lend," said one western banker, who pointed out that foreign banks in Russia still cannot hold land or buildings as collateral. Given that, he wondered whether keeping foreign currency on deposit, as Russian commercial banks do, would count as taking money out of the country.

Although Russia at present has no restrictions on foreign banking, obtaining a banking licence can take a very long time. Bank Austria operates on an "offshore" basis – it can only take deposits from foreign companies and the limited number of Russian enterprises which have the right to hold bank accounts abroad, while Crédit Lyonnais is the only bank to have received permission to set up a subsidiary.

But the weakness of the rouble means that with starting capital of just Ecu20m, Crédit Lyonnais it is among the five biggest banks in Russia even before it has started to operate.

Some Russian bankers say they are all for foreign presence but only in joint venture banks like International Moscow Bank, a joint venture 60 per cent owned by foreign shareholders. According to the central bank, by April 1992 it had attracted $2bn of the $4bn held by Russian-based banks in foreign currency in correspondent accounts abroad.

Here lies Russian banks' main concern: that foreign banks will pick off their most lucrative foreign currency business, leaving them with rouble deposits. It is estimated that only ten Russian banks are capable of withstanding foreign competition in hard currency operations.

*Banking in Russia, Guide 1993, published by Osiris Conseil, Paris; Fax 47009252.

# ANZ unit extends Islamic role

By Brian Bollen

ANZ Grindlays Bank is broadening its involvement in Islamic financing techniques by arranging what it says is the first Istisna project financing facility in Pakistan.

The $92m six-month facility was provided to Hub Power Company, a private sector joint venture company building an oil-fired power station at the mouth of the Hub river. It was structured and funded by Al Rajhi Banking and Investment Corporation of Saudi Arabia.

The term Istisna relates to the purchase of a specific piece of equipment made to order. The investor buys the equipment then sells it to the project, which pays for it six months later. The difference between the purchase and payment prices represents the profit element for the investor, rather than interest.

Disbursement of the funds under the facility will allow work to start on the $1.8bn project, which is Pakistan's first private sector power scheme. ANZ has become something of a specialist in Islamic financings through its work in arranging a series of Morabaha short-term commodity transactions.

## MARKET STATISTICS

### FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7 10 pm on December 15

| U.S. DOLLAR STRAIGHTS | Issued | Bid | Offer | Chg. day | Yield |
|---|---|---|---|---|---|
| ABN 9 1/8 94 | 200 | 105⅝ | 106⅛ | -⅛ | 5.39 |
| ALBERTA PROVINCE 9 3/8 95 | 600 | 108⅝ | 109 | -⅛ | 6.00 |
| AUSTRIA 8 1/2 00 | 400 | 107⅝ | 108 | -⅛ | 7.09 |
| BANK OF TOKYO 8 3/8 96 | 100 | 105⅜ | 106 | -⅛ | 6.49 |
| BELGIUM 9 5/8 98 | 250 | 112⅛ | 112⅝ | -⅛ | 6.67 |
| BFCE 7 3/4 97 | 150 | 104⅜ | 105⅛ | -⅛ | 6.52 |
| BNP 8 5/8 94 | 300 | 105⅛ | 105⅛ | +⅛ | 5.08 |
| BRITISH GAS 8 3/8 99 | 350 | 105⅝ | 106⅛ | -⅛ | 7.25 |
| CANADA 9 96 | 1000 | 108⅜ | 108¾ | -⅛ | 6.03 |
| CCCE 9 1/4 95 | 300 | 107⅞ | 108⅛ | -⅛ | 5.47 |
| CIA NAVIERA PEREZ 9 96 | 100 | 96⅝ | 97¾ | | 10.30 |
| COUNCIL EUROPE 8 96 | 100 | 104⅞ | 105⅝ | -⅛ | 6.44 |
| CREDIT FONCIER 9 1/2 99 | 300 | 112⅛ | 112⅝ | -⅛ | 6.98 |
| DENMARK 8 1/4 94 | 150 | 105 | 105½ | -⅛ | 5.03 |
| DENMARK 9 1/4 95 | 1571 | 107⅝ | 108 | | 5.50 |
| ECSC 8 1/4 96 | 193 | 106⅛ | 106⅜ | | 6.45 |
| EEC 8 1/4 96 | 100 | 105⅞ | 106½ | -⅛ | 6.31 |
| EIB 7 3/4 96 | 250 | 104⅝ | 105⅛ | | 6.21 |
| EIB 9 1/4 97 | 1000 | 110⅞ | 111⅛ | -⅛ | 6.58 |
| ELEC DE FRANCE 9 98 | 200 | 109⅛ | 109⅝ | -⅛ | 6.80 |
| EURO CRED CARD TST 9 94 | 325 | 104⅛ | 104⅝ | | 6.35 |
| EUROFIMA 9 1/4 96 | 100 | 108½ | 109¼ | | 6.25 |
| EXPORT DEV CORP 9 1/2 98 | 150 | 111⅛ | 111⅝ | -⅛ | 6.95 |
| FINLAND 7 7/8 97 | 200 | 103½ | 104⅛ | -⅛ | 6.86 |
| FINNISH EXPORT 9 3/8 95 | 200 | 108⅛ | 108⅝ | | 6.18 |
| FORD CAPITAL 9 3/4 97 | 250 | 107⅞ | 108½ | -⅛ | 7.58 |
| GEN ELEC CAPITAL 9 3/8 96 | 300 | 108⅞ | 109⅛ | | 6.42 |
| GMAC 9 1/8 96 | 200 | 103⅝ | 104½ | | 7.79 |
| GUINNESS FINANCE 8 94 | 200 | 103⅞ | 104½ | | 5.33 |
| IBM INTL FIN 7 3/4 94 | 200 | 103½ | 103⅞ | | 4.96 |
| IND BK JAPAN FIN 7 7/8 97 | 200 | 103⅝ | 104⅛ | -⅛ | 6.86 |
| INTER AMER DEV 7 5/8 96 | 200 | 104⅛ | 104⅝ | | 6.30 |
| ITALY 8 1/2 94 | 1500 | 105⅛ | 105⅜ | +⅛ | 5.38 |
| JAPAN DEV BK 8 94 | 150 | 104 | 104½ | -⅛ | 5.00 |
| KANSAI ELEC PWR 10 96 | 350 | 110½ | 111 | -⅛ | 6.34 |
| LTCB FIN 8 97 | 200 | 104 | 104⅝ | -⅛ | 6.84 |
| NEW ZEALAND 9 94 | 850 | 105¾ | 106⅛ | | 5.28 |
| NIPPON CRED BK 10 3/8 95 | 150 | 108⅞ | 109⅜ | | 6.47 |
| NIPPON TEL & TEL 9 3/8 95 | 200 | 107⅝ | 108⅛ | | 5.60 |
| ONTARIO 8 1/2 01 | 600 | 104⅞ | 105⅛ | -⅛ | 7.67 |
| ONTARIO HYDRO 11 5/8 94 | 200 | 107⅛ | 108 | | 4.85 |
| OSTER KONTROLLBANK 8 1/2 01 | 200 | 107⅛ | 107⅝ | -⅛ | 7.29 |
| PETRO-CANADA 7 1/4 96 | 200 | 103 | 104 | +⅛ | 6.23 |
| QUEBEC HYDRO 9 3/4 98 | 150 | 110½ | 111⅛ | -⅛ | 7.44 |
| QUEBEC PROV 9 98 | 200 | 107⅛ | 107⅝ | -⅛ | 7.32 |
| SAINSBURY 9 1/8 96 | 150 | 107⅝ | 108⅛ | -⅛ | 6.73 |
| SAS 10 99 | 200 | 107½ | 108½ | -⅛ | 8.39 |
| SBAB 9 1/2 95 | 500 | 107⅝ | 108⅛ | -⅛ | 5.99 |
| SNCF 9 1/2 98 | 150 | 111⅝ | 112⅛ | -⅛ | 6.86 |
| STATE BK NSW 8 1/2 96 | 200 | 105⅝ | 106½ | -⅛ | 6.64 |
| SWEDISH EXPORT 8 3/8 96 | 700 | 105⅝ | 106⅛ | -⅛ | 6.38 |
| TOKYO ELEC POWER 8 3/4 96 | 300 | 107⅛ | 107⅝ | -⅛ | 6.42 |
| TOKYO METROPOLIS 8 1/4 96 | 200 | 106⅛ | 106⅝ | -⅛ | 6.34 |
| WORLD BANK 8 3/8 99 | 1500 | 108⅛ | 108½ | -⅛ | 6.95 |
| WORLD BANK 8 3/4 97 | 1500 | 109⅛ | 109⅝ | | 6.38 |
| XEROX CORPN 8 3/8 96 | 100 | 104½ | 105⅛ | -⅛ | 6.96 |

| DEUTSCHE MARK STRAIGHTS | Issued | Bid | Offer | Chg. day | Yield |
|---|---|---|---|---|---|
| AUSTRIA 5 7/8 97 | 500 | 95⅛ | 95⅝ | | 7.20 |
| BELGIUM 7 3/4 02 | 500 | 102⅛ | 102⅝ | -⅛ | 7.38 |
| BNP 8 1/4 01 | 200 | 106½ | 107 | | 7.23 |
| DEUTSCHE FINANCE 7 1/2 95 | 1000 | 100⅝ | 100⅞ | +⅛ | 7.16 |
| ECSC 8 5/8 96 | 700 | 103⅞ | 104⅛ | | 7.47 |
| EIB 7 1/2 99 | 400 | 102⅛ | 102⅝ | | 7.10 |
| FINLAND 8 1/4 02 | 2000 | 102⅝ | 102⅞ | | 7.84 |
| GENERAL ELECTRIC 8 3/4 95 | 300 | 103⅛ | 103½ | | 7.43 |
| INTER AMER DEV 9 00 | 300 | 110½ | 111 | +⅛ | 7.23 |
| IRELAND 7 3/4 02 | 500 | 100⅛ | 100⅜ | | 7.67 |
| KFW INTL FINANCE 7 1/4 97 | 1500 | 99⅞ | 100⅛ | | 7.28 |
| SWEDEN 8 97 | 2500 | 101⅞ | 102 | | 7.52 |
| TOKYO ELEC POWER 7 5/8 02 | 1000 | 100½ | 100⅝ | -⅛ | 7.55 |
| TURKEY 10 3/4 96 | 500 | 104 | 104½ | +⅛ | 9.45 |
| UNITED KINGDOM 7 1/8 97 | 5000 | 99⅝ | 99⅞ | +⅛ | 7.21 |
| VOLKSWAGEN COM 8 5/8 97 | 400 | 103 | 103⅛ | | 7.81 |
| WORLD BANK 0 15 | 2000 | 22 | 22½ | -⅛ | 6.80 |
| WORLD BANK 5 3/4 96 | 300 | 96⅛ | 97⅛ | +⅛ | 6.89 |
| WORLD BANK 8 3/4 00 | 1250 | 109⅜ | 109⅞ | -⅛ | 7.06 |

| SWISS FRANC STRAIGHTS | Issued | Bid | Offer | Chg. day | Yield |
|---|---|---|---|---|---|
| ASIAN DEV BANK 6 10 | 100 | 100 | 101 | +½ | 6.00 |
| COUNCIL EUROPE 4 3/4 98 | 250 | 95⅛ | 96 | | 5.72 |
| EIB 6 3/4 04 | 300 | 105½ | 105⅛ | +⅛ | 6.08 |
| ELEC DE FRANCE 7 1/4 06 | 100 | 107 | | +⅛ | 6.44 |
| FINLAND 7 1/4 99 | 300 | 107⅛ | 108 | +⅛ | 5.92 |
| GENERAL MOTORS 7 1/2 95 | 100 | 101 | 101½ | -½ | 6.99 |
| HYUNDAI MOTOR FIN 8 1/2 97 | 100 | 105 | 105⅛ | | 7.20 |
| ICELAND 7 5/8 00 | 100 | 104½ | 104⅛ | +⅛ | 6.84 |
| JAPAN DEV BK 5 1/2 94 | 100 | 99⅛ | | +½ | 5.72 |
| KOBE 6 3/8 01 | 240 | 103⅛ | | | 5.89 |
| NEW ZEALAND 4 7/8 99 | 200 | 94½ | 95 | +½ | 5.97 |
| QUEBEC HYDRO 5 08 | 100 | 82 | | +1 | 6.94 |
| SNCF 7 04 | 450 | 108 | 109 | +½ | 6.03 |
| WORLD BANK 5 03 | 150 | 93½ | 95 | -1 | 5.83 |
| WORLD BANK 7 01 | 600 | 106 | 107 | -⅛ | 6.05 |

| YEN STRAIGHTS | Issued | Bid | Offer | Chg. day | Yield |
|---|---|---|---|---|---|
| DENMARK 7 95 | 40000 | 105⅛ | 105⅝ | | 4.17 |
| EIB 4 5/8 94 | 40000 | 101 | 101⅛ | | 3.86 |
| ELEC DE FRANCE 5 5/8 96 | 20000 | 103⅞ | 104⅛ | | 4.50 |
| FINLAND 6 3/4 96 | 50000 | 105⅛ | 105½ | | 4.92 |
| INTER AMER DEV 7 1/4 00 | 30000 | 111⅛ | 111⅝ | | 5.31 |
| JAPAN DEV BK 5 99 | 100000 | 100½ | 100⅞ | | 4.91 |
| JAPAN DEV BK 6 1/2 01 | 120000 | 108⅞ | 109⅛ | | 5.21 |
| KANSAI ELEC PWR 4 5/8 96 | 60000 | 100⅛ | 101 | | 4.08 |
| NIPPON TEL & TEL 5 7/8 96 | 50000 | 104⅛ | 104½ | | 4.62 |
| NORWAY 5 1/8 95 | 50000 | 101⅞ | 102⅛ | | 4.28 |
| SNCF 6 3/4 00 | 30000 | 109⅛ | 109⅝ | | 5.20 |
| SWEDEN 5 5/8 95 | 20000 | 103⅛ | 103⅝ | | 4.35 |
| WORLD BANK 6 3/4 00 | 50000 | 109⅝ | 109⅞ | | 5.12 |

| OTHER STRAIGHTS | Issued | Bid | Offer | Chg. day | Yield |
|---|---|---|---|---|---|
| ARBED 7 1/2 95 LFr | 600 | 96⅛ | 97⅛ | -⅛ | 9.10 |
| ECSC 7 3/4 94 LFr | 1000 | 99⅛ | 100⅛ | -⅛ | 8.23 |
| [illegible] | | | | | |

| FLOATING RATE NOTES | Issued | Bid | Offer | C.cpn |
|---|---|---|---|---|
| [illegible] | | | | |

| CONVERTIBLE BONDS | Issued | Cnv. price | Bid | Offer | Prem. |
|---|---|---|---|---|---|
| [illegible] | | | | | |

* No information available - previous day's price
‡ Only one market maker supplied a price

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day = Change on day.
FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread = Margin above six-month offered rate (three-month above mean rate) for US dollars. C.cpn = The current coupon.
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.



### RISES AND FALLS YESTERDAY

| | Rises | Falls | Same |
|---|---|---|---|
| British Funds | 3 | 69 | 8 |
| Other Fixed Interest | 1 | 9 | 5 |
| Commercial, Industrial | 299 | 216 | 901 |
| Financial & Property | 139 | 64 | 595 |
| Oil & Gas | 13 | 14 | 58 |
| Plantations | 0 | 0 | 9 |
| Mines | 13 | 27 | 101 |
| Others | 36 | 41 | 39 |
| Totals | 504 | 440 | 1,716 |

### LONDON RECENT ISSUES

#### EQUITIES

| Issue Price p | Am'nt Paid up | Latest Renunc Date | 1992 High | 1992 Low | Stock | Closing Price p | +or - | Net Div | Times Cov'd | Gross Yield | P/E Ratio |
|---|---|---|---|---|---|---|---|---|---|---|---|
| - | F.P. | - | 122½ | 100 | BTR Warrants 1997 | 112½ | +2 | - | - | - | - |
| §220 | F.P. | - | 243 | 231 | Critchley Group | 243 | +2 | L6.1 | 2.2 | 3.3 | 17.2 |
| - | F.P. | - | 103 | 100 | For. & Col. PEP Inv Tst | 102 | | F3.38 | - | 4.4 | - |
| 100 | F.P. | - | 99 | 98 | Hoare Govett Smlr Co's | 99 | | - | - | - | - |
| 90 | F.P. | - | 103 | 98 | Hunters Armley | 98 | | W3.38 | 2.2 | 4.6 | 13.1 |
| - | F.P. | - | 33 | 30 | Jos Kids Cap | 33 | | - | - | - | - |
| - | F.P. | - | 92 | 87 | Do. Inc. | 90 | | F11.5 | - | 17.0 | - |
| - | F.P. | - | 109½ | 101 | Do. Zero Div. Pf. | 108½ | | - | - | - | - |
| 165 | F.P. | - | 182 | 168 | National Express | 182 | +4 | W7.12 | 1.5 | 5.2 | 12.0 |
| - | F.P. | - | 1½ | 1½ | ‡Prime People Warrants | 1½ | | - | - | - | - |
| - | F.P. | - | 103 | 95 | Second Consolidated | 97 | | - | - | - | - |
| 65 | F.P. | - | 239 | 73 | Tadpole Technology | 166 | -13 | - | - | - | - |
| 120 | F.P. | - | 208 | 157 | ‡Tepnel Diagnostics | 183 | +5 | - | - | - | - |
| 160 | F.P. | - | 196 | 165 | Wetherspoon (J.D.) | 196 | +4 | W4.8 | 2.6 | 3.3 | 15.8 |

#### FIXED INTEREST STOCKS

| Issue Price £ | Amount Paid up | Latest Renunc Date | 1992 High | 1992 Low | Stock | Closing Price £ | + or - |
|---|---|---|---|---|---|---|---|
| 100p | F.P. | - | 113p | 104¼p | Bristol Water 8¼pc Pf. | 113p | +½ |
| 100p | F.P. | - | 102¼p | 100½p | Commercial Union 8¾pc Cm. Pf. | 102p | -¼ |
| 100 | F.P. | - | 113 | 104¼ | NFC 7¼pc Cv. Bd. 2007 | 109½ | +1 |
| 150p | Nil | - | 31pm | 23pm | Walsall Non-Int Brg. Cv. ULS | 29pm | +1 |

#### RIGHTS OFFERS

| Issue Price p | Amount Paid up | Latest Renunc Date | 1992 High | 1992 Low | Stock | Closing Price p | + or - |
|---|---|---|---|---|---|---|---|
| 25 | P.P. | 1/3 | 20 | 10 | Property Trust | 14 | |
| 240 | Nil | 27/1 | 45pm | 43pm | Seton Healthcare | 45pm | |
| 465 | Nil | 19/12 | 144pm | 120pm | Tibbett & Britten | 144pm | +7 |

a Annualised dividend. b Figures based on prospectus estimates. g Assumed dividend and yield. q Earnings based on preliminary figures. u Forecast or estimated annualised dividend rate, cover based on previous year's earnings. x Ex-dividend. F Dividend and yield based on prospectus or other official estimates for 1992-93. H Dividend and yield based on prospectus or other official estimates for 1993. L Estimated annualised dividend, cover and p/e based on latest annual earnings. N Dividend and yield based on prospectus or other official estimates for 1992. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ‡ Issued by way of rights. † Introduction. § Placing price. †† Reintroduction. ‡ Unlisted securities market. ♦ Issued in connection with reorganisation, merger or takeover. pm Price at a premium.

### TRADITIONAL OPTIONS

● First Dealings Dec. 7
● Last Dealings Dec. 18
● Last Declarations March 11
● For settlement March 22

3-month call rate indications are shown in Saturday editions.
Calls in British Steel, Gardiner, Sleepy Kids, Spring Ram and Tadpole Tech. Double in Tadpole Tech.

### FT-SE ACTUARIES INDICES

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### LIFFE EQUITY OPTIONS

| Option | | Calls Jan | Calls Apr | Calls Jul | Puts Jan | Puts Apr | Puts Jul |
|---|---|---|---|---|---|---|---|
| Allied Lyons (*602) | 600 | 26 | 42 | 52 | 16 | 27 | 41 |
| | 650 | 7½ | 20 | 30 | 49 | 58 | 72 |
| Ladbroke (*173) | 160 | 20 | 27 | 30 | 5½ | 12 | 20 |
| | 180 | 10 | 16 | 21 | 15 | 23 | 30 |
| Land Secur (*428) | 420 | 17 | 29 | 34 | 7½ | 13 | 25 |
| | 460 | 3 | 11 | 15 | 38 | 37 | 51 |
| M & S (*311) | 300 | 19 | 28 | 34 | 6½ | 9 | 17 |
| | 330 | 5½ | 13 | 19 | 23 | 28 | 33 |
| Sainsbury (*536) | 500 | 43 | 55 | 62 | 5 | 12 | 19 |
| | 550 | 13 | 26 | 35 | 30 | 33 | 41 |
| Shell Trans. (*543) | 500 | 49 | 54 | 61 | 2 | 9 | 13 |
| | 550 | 13 | 19 | 31 | 18 | 32 | 36 |
| Storehouse (*189) | 180 | 14 | 20 | 25 | 7 | 11 | 16 |
| | 200 | 6 | 11 | 16 | 19 | 22 | 27 |
| Trafalgar (*79) | 70 | 11 | 14 | 16 | 2½ | 3½ | 6 |
| | 80 | 5 | 6½ | 10 | 5 | 7½ | 11 |
| Utd. Biscuits (*332) | 330 | 17 | 25 | 30 | 10 | 19 | 23 |
| | 360 | 5 | 12 | 17 | 29 | 39 | 41 |
| Unilever (*1069) | 1050 | 40 | 62 | 76 | 17 | 33 | 47 |
| | 1100 | 15 | 34 | 50 | 47 | 65 | 77 |
| [illegible] | | | | | | | |

| Option | | Calls Feb | Calls May | Calls Aug | Puts Feb | Puts May | Puts Aug |
|---|---|---|---|---|---|---|---|
| Brit. Aero (*140) | 130 | 23 | 27 | 33 | 12 | 20 | 21 |
| | 140 | 16 | 21 | 28 | 16 | 25 | 26 |
| BAA (*782) | 750 | 56 | 75 | 87 | 14 | 24 | 34 |
| | 800 | 26 | 46 | 58 | 37 | 47 | 57 |
| Tesco (*242) | 240 | 14 | 21 | 24 | 8½ | 17 | 20 |
| | 260 | 6½ | 12 | 15 | 24 | 30 | 34 |
| Thames Wtr (*490) | 460 | 42 | 53 | 58 | 6½ | 12 | 19 |
| | 500 | 17 | 28 | 34 | 23 | 28 | 37 |
| Vodafone (*416) | 390 | 34 | 51 | 55 | 12 | 21 | 27 |
| | 420 | 19 | 29 | 40 | 30 | 36 | 43 |
| [illegible] | | | | | | | |

| Option | | Calls Dec | Calls Mar | Calls Jun | Puts Dec | Puts Mar | Puts Jun |
|---|---|---|---|---|---|---|---|
| Glaxo (*790) | 750 | 44 | 74 | 97 | 3 | 31 | 45 |
| | 800 | 10 | 48 | 71 | 20 | 56 | 68 |
| Abbey Nat. (*355) | 330 | 27 | 37 | 40 | 1½ | 11 | 14 |
| | 360 | 4½ | 19 | 23 | 10 | 26 | 29 |
| Amstrad (*25) | 25 | 1½ | 4 | 5½ | 1 | 3½ | 4½ |
| | 30 | 1 | 2 | 3 | 6 | 7½ | 8 |
| Barclays (*381) | 360 | 25 | 38 | 43 | 2 | 19 | 25 |
| | 390 | 4½ | 21 | 28 | 14 | 36 | 42 |
| Blue Circle (*175) | 160 | 18 | 30 | 35 | 2 | 12 | 20 |
| | 180 | 5 | 20 | 24 | 8 | 21 | 32 |
| British Gas (*272) | 260 | 15 | 23 | 25 | 1½ | 6 | 12 |
| | 280 | 2 | 12 | 14 | 9½ | 15 | 23 |
| Dixons (*263) | 260 | 8 | 24 | 30 | 8 | 21 | 27 |
| | 280 | 2 | 15 | 22 | 22 | 34 | 38 |
| Eurotunnel (*328) | 300 | 32 | 50 | 61 | 3 | 16 | 24 |
| | 330 | 10 | 33 | 46 | 12 | 31 | 37 |
| [illegible] | | | | | | | |

FT-SE INDEX (*2717)

| | 2550 | 2600 | 2650 | 2700 | 2750 | 2800 | 2850 | 2900 |
|---|---|---|---|---|---|---|---|---|
| CALLS | | | | | | | | |
| Dec | 172 | 123 | 74 | 30 | 7 | 1½ | ½ | ½ |
| Jan | 192 | 149 | 110 | 77 | 50 | 29 | 17 | 9 |
| Feb | 211 | 172 | 138 | 107 | 81 | 59 | 42 | 28 |
| Mar | 231 | 192 | 158 | 127 | 98 | 77 | 57 | 43 |
| Jun † | - | 230 | - | 167 | - | 118 | - | 78 |
| PUTS | | | | | | | | |
| Dec | ½ | 1½ | 3 | 10 | 39 | 89 | 139 | 189 |
| Jan | 14 | 20 | 32 | 50 | 76 | 107 | 147 | 191 |
| Feb | 30 | 40 | 56 | 74 | 99 | 118 | 162 | 201 |
| Mar | 42 | 52 | 67 | 86 | 112 | 140 | 169 | 208 |
| Jun † | - | 75 | - | 112 | - | 157 | - | 223 |

December 15 Total Contracts 40,031. Calls 27,497 Puts 12,534. FT-SE Index Calls 3,364 Puts 3,398. Euro FT-SE Calls 2,096 Puts 909. Eurotrack 100 Index Calls Puts.
*Underlying security price. † Long dated expiry months. Premiums shown are based on closing offer prices.

### FT-ACTUARIES FIXED INTEREST INDICES

| | PRICE INDICES | Tue Dec 15 | Day's change % | Mon Dec 14 | Accrued interest | xd adj. 1992 to date |
|---|---|---|---|---|---|---|
| | British Government | | | | | |
| 1 | Up to 5 years (24) | 127.94 | -0.03 | 128.38 | 2.42 | 11.59 |
| 2 | 5-15 years (23) | 144.68 | -0.22 | 145.00 | 2.06 | 13.12 |
| 3 | Over 15 years (8) | 152.11 | -0.33 | 152.62 | 2.28 | 11.89 |
| 4 | Irredeemables (6) | 169.96 | -0.44 | 170.71 | 1.59 | 13.68 |
| 5 | All stocks (61) | 141.47 | -0.18 | 141.87 | 2.24 | 12.67 |
| | Index-Linked | | | | | |
| 6 | Up to 5 years (2) | 183.16 | -0.10 | 183.35 | 0.40 | 3.68 |
| 7 | Over 5 years (11) | 162.53 | -0.34 | 163.21 | 0.91 | 4.54 |
| 8 | All stocks (13) | 164.09 | -0.31 | 164.70 | 0.89 | 4.42 |
| 9 | Debs & Loans | [illegible] | | | | |

| | AVERAGE GROSS REDEMPTION YIELDS | | Tue Dec 15 | Mon Dec 14 | Year ago (approx.) |
|---|---|---|---|---|---|
| | British Government | | | | |
| 1 | Low | 5 years | 7.36 | 7.33 | 8.72 |
| 2 | Coupons | 15 years | 8.28 | 8.23 | 9.34 |
| 3 | (0%-7¾%) | 20 years | 8.51 | 8.47 | 9.35 |
| 4 | Medium | 5 years | 7.62 | 7.59 | 9.69 |
| 5 | Coupons | 15 years | 8.70 | 8.66 | 9.46 |
| 6 | (8%-10¾%) | 20 years | 8.86 | 8.82 | 9.42 |
| 7 | High | 5 years | 7.87 | 7.84 | 9.92 |
| 8 | Coupons | 15 years | 9.01 | 8.95 | 9.52 |
| 9 | (11%-) | 20 years | 9.09 | 9.03 | 9.45 |
| 10 | Irredeemables (Flat Yield) | | 8.94 | 8.90 | 9.54 |
| | Index-Linked | | | | |
| 11 | Inflation rate 5% | Up to 5yrs. | 2.55 | 2.51 | 3.98 |
| 12 | Inflation rate 5% | Over 5 yrs. | 3.96 | 3.93 | 4.35 |
| 13 | Inflation rate 10% | Up to 5 yrs. | 1.68 | 1.64 | 3.29 |
| 14 | Inflation rate 10% | Over 5 yrs. | 3.76 | 3.73 | 4.16 |
| 15 | Debs & Loans | 5 years | 8.97 | 8.96 | 11.18 |
| 16 | | 15 years | 9.94 | 9.90 | 11.00 |
| 17 | | 25 years | 10.13 | 10.10 | 10.83 |

## COMPANY NEWS: UK & IRISH

### Building products remains weakest division

# Triplex Lloyd rises to £3.3m

By Paul Cheeseright, Midlands Correspondent

TRIPLEX LLOYD, the industrial engineering group, increased interim pre-tax profits by 6 per cent to £3.31m despite a deteriorating performance by its building products division.

Turnover for the six months to end-September slipped to £81.1m. The comparative figure of £83.8m included £8.8m from discontinued operations. Earnings per share declined to 4.8p (5p) on capital enlarged via the acquisition last January of Paralloy.

The interim dividend is maintained at 2.5p.

Building products, where operating profits declined to £621,000 (£673,000), remained the group's weakest division. However, both the automotive and engineering and power divisions increased operating profits to over £2.04m compared with £1.89m and £1.65m respectively.

Mr Colin Cooke, chairman, said there was no sign of any market upturn for building products and that the outlook for automotive sales was "cautious".

He noted, however, that for the power division there were "substantial opportunities for growth even in the absence of a general improvement either in the UK or world economy."

Against the trend among other engineering companies, gearing increased by over 15 per cent to 60 per cent.

That, according to Mr John Foley, the finance director soon to become managing director, was the result of the provision of £4m of working capital for Paralloy.

Interest charges accounted for £1.29m (£1.24m). However, the company refinanced its short term debt by using the US private placement market to raise $35m (£23m) which swaps into fixed rate sterling borrowing at rates under 9 per cent for terms of between seven and ten years.

**● COMMENT**

Triplex Lloyd's power division will carry it through the second half. Paralloy is now making money; investment at Deritend Precision Castings, another power subsidiary, is paying off. The markets for the other divisions are too uncertain to offer any guarantee of increased profits, but by the time a lower interest rate bill and the proceeds of property sales are factored in to the immediate outlook, Triplex Lloyd should be looking at 1992-93 pre-tax profits in excess of £7.5m. That would translate into earnings of 10.2p and put the shares at yesterday's unchanged price of 140p on a prospective p/e of 13.7, cheap at the price given a sector average of over 25.

# Purchase and improved margins lift Greencore

By Tim Coone in Dublin

GREENCORE, the Irish sugar and agribusiness group, reported a 25 per cent increase in pre-tax profits to I£31.5m (£34m) for the year ending September 25 on turnover up 19 per cent at I£388m.

The results are the first full-year figures from the company since its privatisation and flotation in April 1991. They also reflected the incorporation of Food Industries into the group in November 1991 at a cost of I£57.9m.

Increased margins were achieved in all three divisions – sugar, agribusiness and other food.

Mr Gerry Murphy, chief executive, said the results "reflect the achievement of greater operating efficiency through the group and the successful integration of the companies acquired with Food Industries".

The increase in turnover and a near doubling of the interest charge to I£8.8m were attributable almost entirely to the incorporation of Food Industries.

Mr Kevin O'Sullivan, finance director, said it was a "great achievement" to have covered the costs of acquiring Food Industries "with a little to spare" within a year of its purchase.

The sugar division increased operating profits by 10 per cent to I£22.5m on a marginally smaller turnover of I£136.3m, due primarily to a reduction of low-margin overseas sales and improved efficiency from new capital investment. Mr Murphy said the current beet harvest was producing sugar yields "at the highest level in forty years".

Market analysts in Dublin said the results reflected well on the new management team brought in over the past year under Mr Murphy.

They said the only concern was the current high level of interest rates in the Irish economy and the devaluation of sterling last September. Both would have an adverse effect on the company.

Mr Murphy said: "Current interest rates are unsustainable and something has to give soon, although I do not believe a unilateral devaluation would be good for the country."

There was the chance of a further acquisition in the coming year "if we find the right business at the right price and depending on the state of the equity and financial markets.

Earnings emerged at 31p (27.6p) and a final dividend of 5p makes an 8p (4.5p) total.

# Buy-out bid values Printech at I£24m

By Tim Coone in Dublin

A MANAGEMENT buy-out bid has been launched for Printech International, the Dublin-based printing supplier to the computer industry, which obtained a full listing on the London and Dublin stock exchanges in May 1991.

The cash offer of 77½p per share represents a 41 per cent premium over the last dealt price of 55p, and is worth a total of I£23.7m (£25.4m).

The bid is backed by DCC, the holding company headed by Mr Jim Flavin, which holds a 46.6 per cent stake.

The buy-out will be carried out through Ochil, an 80 per cent owned subsidiary of DCC, in which Printech executive directors will have a 20 per cent minority interest.

Their Printech shares will be replaced by Ochil shares, while remaining shareholders will receive cash or loan notes. A senior debt facility of I£9m, arranged through the Bank of Ireland, will finance the cash part of the bid.

By yesterday afternoon, 85 per cent of shareholders had accepted the offer. One who had not was Mr John Lawrie, the chief investment manager at Scottish Provident Ireland who called it a "pathetically derisory offer".

"This bid demonstrates how cheap Irish equities have become. It is unprecedented for a thriving company to be bought out at barely eight times earnings. This development represents a threat to the long-term viability of the Irish stock exchange if sound second-line companies can be taken out like this", he stated.

Mr Flavin said: "Institutional investors have shown little appetite for the smaller capitalised stocks. Neither the company nor the shareholders were benefiting from the listing".

## Sanderson Elect ahead to £2.8m

Pre-tax profits moved ahead at Sanderson Electronics, driven by a vigorous performance in the UK which enabled the Sheffield-based computing services company to shrug off losses at General Automation, the US computer manufacturer in which it has a 49 per cent stake, writes Alan Cane.

Turnover for the year to September 30 increased to £21.4m (£20.5m) in difficult trading conditions, but profits rose 17 per cent to £2.8m (£2.4m). Earnings per share were 24p (19.2p).

The market discounted the results, marking the shares down 46p to 226p, after a 30p rise on Monday. The company declared a first interim dividend of 5.4p. For the present year, dividends totalling 9p have already been paid.

Analysts are looking for profits of £3.9m next year and believe the shares are underpriced.

# Redundancy costs cut Hoskyns to £9.5m

By Alan Cane

HOSKYNS GROUP, the computing services company in which Cap Gemini Sogeti of France has a majority stake, saw pre-tax profits fall sharply last year as increased competition and restructuring costs acted to force down margins.

CGS also announced that it was likely to be offering 469p each for the outstanding shares. It was a condition of its 1990 purchase of a 69.5 per cent holding that it make a further offer within three months of the 1992 preliminary announcement for the remaining shares. The shares closed unchanged at 451p.

For the year to October 31 profits fell 34 per cent to £9.5m (£14.3m) after redundancy costs of £2.5m.

Turnover fell slightly to £197.7m (£200.7m). Mr Geoff Unwin, chairman, said if allowance was made for the run down of facilities management contracts at Plessey, Hoskyns' former majority holder, and disposals, the underlying turnover growth was 6 per cent.

Earnings per share were down at 5.8p (10.5p). A final dividend of 1.65p is proposed for an unchanged total of 2.4p.

Hoskyns is UK market leader in outsourcing or facilities management, one of the fastest growing areas in data processing. The company signed twice as many outsourcing contracts in 1992 as in 1991. The forward order book is worth £175m.

Mr Unwin said he did not expect to see any increase in the amount spent on computing in 1993, but it would be distributed differently with outsourcing attracting a growing share.

## NEWS DIGEST

### Reliance Security shares dip

SHARES OF Reliance Security Group fell 18p to 123p following the announcement of an 11 per cent downturn in pre-tax profits to £905,000 for the 27 weeks to November 6.

Mr Brian Kingham, chairman of the USM-quoted security provider, said the fall included a reduced loss of £502,000 (£772,000) from the electronic security surveillance business.

He was encouraged by an 8 per cent improvement in turnover to £34.1m but pointed out that lower profits reflected the impact of recession which was most notable in reduced margins.

Earnings amounted to 2.7p (3p) per share and the interim dividend is held at 1.1p.

### Abtrust New Dawn assets up 24%

Abtrust New Dawn Investment Trust had a net asset value at October 31 of 155.96p per share, a gain of 24 per cent on the 125.79p at the April 30 year end and 50 per cent up on a year ago.

Net revenue for the six months to end-October was £219,365 (£109,694) for earnings almost doubled at 0.73p, against 0.37p.

### Brasway more than halved at £330,000

Pre-tax profits of Brasway, the tube and hydraulic hose and fitting manufacturer, more than halved from £708,000 to £330,000 in the six months to October 31.

Turnover was down 6 per cent at £16.4m compared with £17.5m.

Mr Mark Swaby, chairman, said that benefits of new products should be seen in the second half, but he warned that the immediate trading outlook was still tough.

The interim dividend is maintained at 0.24p, payable from earnings of 0.28p (0.62p) per share.

### Hardys & Hansons shows 5% decline

Hardys & Hansons, the Nottingham-based brewer, yesterday reported a 5 per cent downturn in annual profits.

On turnover ahead 4 per cent to £30.3m, pre-tax profits for the 12 months to October 2 amounted to £6.72m, down from £7.04m in the previous 53 week period. The outcome was struck after dividends and net interest receivable of £962,000 (£1.63m).

After tax and the preference dividend, earnings per 5p share emerged at 18.035p, down from 19.271p. A recommended final dividend of 5.1p lifts the total for the year to 7.9p (7.5p).

### Creighton's 9% ahead at £0.62m

Creighton's Naturally, the USM-quoted creator and maker of natural health and beauty products, achieved a 9.2 per cent improvement in profits to £617,000 pre-tax for the half year ended September 30.

The interim dividend is lifted to 2.1p (2p) from earnings of 9.1p (8.4p) per share.

The group also announced the acquisition of 50 per cent of Fine Fragrances for £875,000 in cash and shares. The purchase will help the group in both the domestic and export markets.

The improvement in profitability arose from actions taken to reduce operating costs. Sales fell from £5.23m to £4.6m. The company exported more during the half year than for the whole of the previous 12 months.

### Melville Street net asset value at 144p

Melville Street Investments, the development capital investment trust, reported net asset value of 144p per share at October 31, against 150p at April 30 and 147p a year earlier.

The company said that a number of companies had continued to encounter difficult trading conditions and provisions had been made. The result was reflected in the net asset value.

For the six months to end-October net revenue was £391,000 (£246,000) helped by an increase in bank interest received from £14,000 to £116,000. Earnings per share were 2.09p (1.82p) and the interim dividend is maintained at 1.5p.

### Birkby £204,000 in the black

A turnround from pre-tax losses of £2.12m to profits of £204,000 was announced by Birkby for the six months to September 30.

The group specialises in the provision of managed rental workspace.

Mr Michael Woodhead, chairman, said the results reflected both the successes of the rationalisation programme and the short period of trading since the acquisition of the Birkby Group – formerly Finlan Group – on August 3.

He said that the full effect of the acquisition, reorganisation and the capital raising would be seen in the second half.

Turnover amounted to £2.19m (£5.49m). Earnings per share worked through at 4.8p (509.4p losses).

Following the confirmation of the reduction in the company's share capital and share premium account on December 2, a further set of interim accounts was being prepared. Directors said they expected to declare an interim dividend of 1p.

### Shaftesbury cuts loss to £4.7m

Mr Peter Levy, chairman of Shaftesbury, the property company, said despite difficult market conditions substantial progress had been in reducing borrowings and generating sufficient rental income to cover outgoings.

In the year to September 30 losses before provisions were cut from £4m to £2.54m. After provisions against cost of developing properties of £2.15m (£8.79m) the pre-tax loss was £4.69m (£12.8m).

Losses per share were 16.3p (52.2p). Following a valuation of investment properties the deficit of £3.52m had been charged to revaluation reserve. Net assets over the year fell to 87p (117p).

Mr Levy said that borrowings had been cut by sales during the year and since the year end. Rental income now covered all outgoings, he said.

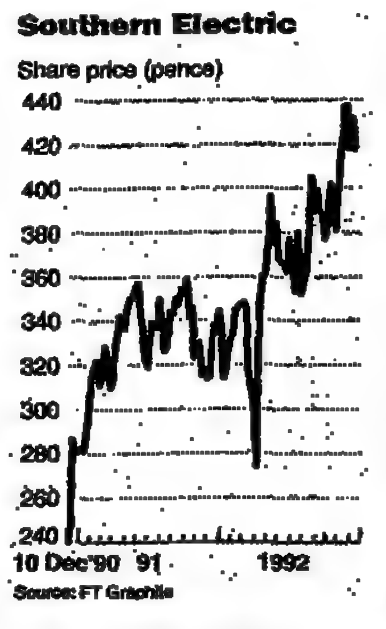
### Pittencrief in $6.2m acquisition

Pittencrief, the oil and gas services company, has expanded its interests in mobile communications by paying $6.2m (£4.1m) cash for Commercial Radio Service and its sister company Mounts Tower Leasing.

In the year to September 30 1991 profits for the two companies were $810,000. Gross billings are about $305,000 a month.

# Southern Electric improves to £15.3m

By David Lascelles, Resources Editor




SOUTHERN ELECTRIC, the Berkshire-based regional distributor, raised its interim profits through a combination of higher sales and reduced costs.

For the six months to September 30 pre-tax profits were £15.3m, a rise of 11.7 per cent, achieved on turnover of £760.6m (£745.5m). Earnings per share rose by 13.5 per cent to 3.78p.

Southern also announced an interim dividend of 5.6p. The 14.3 per cent increase was the highest announced so far in the electricity results season. But Mr Duncan Ross, chairman, said that comparisons with last year's pay-out were distorted by changes in the rate of increase in the interim and final dividends. He said the latest distribution was equivalent to a full year rise of 12 per cent.

Analysts said the result conformed to expectations. The shares fell 2p to 419p in a market broadly down because of the sale of Welsh Water's stake in South Wales Electricity.

Mr Ross said that unit sales had risen by 3.1 per cent despite the recession, much of the increase coming from industrial customers, including Honda which recently opened its new plant in Swindon. However, there had been no overall pick-up pointing to an economic recovery.

Mr Henry Casley, chief executive, said costs had been contained partly through staff reductions, which would amount to some 530 this year, and also through tighter control of bad debts. Outstanding payments had fallen by 31 per cent, or £18m, giving a boost to cash flow. However, he stressed that the savings were not being achieved at the cost of customer service, which continued to be monitored closely.

Mr Ross said he was pleased, though not surprised, by the clean bill of health the electricity regulator had given last week to gas-based electricity contracts. Southern is one of the regional companies which is most heavily involved in gas. It has three projects which will become operational after 1995.

It is still negotiating a new set of long-term supply contracts and would prefer a five-year deal with the generators. Mr Ross said Southern would be drawing up its new tariff in February, and he was confident it would show an increase well below the inflation rate.

See Lex

# Southern Water hit by recession

By Angus Foster

SOUTHERN WATER, the water and sewerage company for much of the English south coast, yesterday announced a small fall in interim pre-tax profits because the previous figure was boosted by exceptional gains.

Profits before exceptionals, however, rose 8.3 per cent – helped by gains from "non-core" or unregulated businesses.

The pre-tax line fell from £61.4m, including a £6m exceptional gain on the sale of investments in three statutory water companies, to £60m in the six months to end-September.

Mr William Courtney, chairman, said he was pleased with the results, which were affected by recession. Mr Martyn Webster, group finance director, said recession cost the company about £2m because of lower metered water usage from companies.

Southern also sharply increased its provisions against bad debts. Provisions were expected to reach £15m by the financial year end compared to £10m in April.

Turnover increased 10 per cent to £160.2m, helped by average price rises of 9 per cent, while operating costs increased 9.6 per cent to £100.5m.

Southern's non-core activities, which include engineering, mineral water and environmental businesses, increased operating profits 7 per cent to £4.5m and remained self-financing, Mr Webster said.

Capital expenditure fell from £80m to £63m after four coastal schemes were held up by planning consent delays. Net cash holdings improved from £1.7m to £13.4m, partly because of the delays.

Earnings amounted to 34.4p (35.3p). The interim dividend is lifted to 7.1p (6.5p).

**● COMMENT**

These results were as expected and the 2p rise to 455p owed more to a strong sector. Profits, while respectable, were flattered by the hold-ups in capital spending, which should delay the switch from net cash to net borrowings until next year. Nevertheless, the non-core performance was promising, especially since – unlike some other water companies – the division is profitable after, as well as before, interest costs. Full year forecasts of £118m put the shares on a p/e of 7, with a yield of just over 6 per cent. While Southern's "safety first" image will never win it a premium rating, it provides a pleasant backwater for the cautious.

## S Wales Electricity sale brings smiles all round

# Welsh Water £69m disposal

By Angus Foster

WELSH WATER, which gained a reputation for aggressive expansion away from its core business following privatisation in 1989, yesterday pulled out of its most controversial investment when it sold its 14.9 per cent stake in South Wales Electricity.

Welsh paid about £51m for the stake in 1990 and 1991 and argued that the two companies could combine functions like billing to cut costs. But South Wales saw the stake as hostile and refused to discuss co-operation.

Welsh sold the stake yesterday morning for £68.7m, or 460p a share, via a placing underwritten by County NatWest. Welsh realised a pre-tax capital gain of about £17.4m after expenses.

Mr John Elfred Jones, chairman of Welsh Water, said the sale reflected lack of progress in discussing closer co-operation. "Since the summer their share price has been very good indeed so we decided to sell," he said.

He telephoned Mr Wynford Evans, South Wales' chairman, yesterday morning to tell him the decision. "It's smiles all round," Mr Jones said.

Welsh Water's shares jumped 16p to 529p, partly on relief the stake had been sold.

The stock market was sceptical that savings could be made and some observers feared Mr Jones was trying to build up a "Wales plc" type of conglomerate.

Analysts also questioned Welsh's strategy and feared its expansion away from core, or regulated, water and sewerage services could be criticised by Ofwat, the regulator, during a 1994-95 periodic review.

Mr Nigel Burton, analyst at SG Warburg, welcomed the sale. "It clears the way for them to put forward a more focused core strategy," he said.

South Wales' shares fell 8p to 473p but Mr Evans said he was pleased Welsh was off his company's share register.

Welsh hinted that it was considering selling the stake last month when it announced interim results.

However, since Mr Jones was seen as the driving force behind the investment, no sale was expected before his retirement next year.

He said Welsh's other non-core businesses would not be affected. These include a loss-making hotel company and an engineering company, both of which have been hurt by recession.

Mr Jones said Welsh had "no home" for the proceeds of the sale and further investment in existing non-core businesses was unlikely.

# Lower exceptionals help reduce losses at YJ Lovell

By Paul Taylor

YJ LOVELL (Holdings), the Buckinghamshire-based housebuilder and property developer which recently negotiated a three year loan agreement with its bankers, yesterday reported a pre-tax loss of £12.2m for the year to September 30, compared to a £20.3m loss in the previous 12 months.

The losses, which amounted to £23.7m (£47.6m) at the retained level, came on turnover which declined 24 per cent to £276.9m (£363m) reflecting extremely depressed trading conditions in the UK construction and housing markets.

Losses per share were 13.7p (22.6p), and the final dividend is again omitted.

The share price dropped ½p to 10p after the announcement.

Profit after interest payments of £4.5m (£6.67m) but before exceptional items fell by 56 per cent to £2.26m (£5.09m).

Construction operations, excluding plant hire, remained profitable as did partnership house building where 1,845 units were completed, up from 1,774 last time.

Exceptional losses of £14.4m (£25.4m) comprised a further £9m in property write-downs, group restructuring costs of £2.67m including redundancy payments, and the £2.75m costs incurred in renegotiating the bank facilities earlier this year.

Below the line extraordinary losses before taxation were £13.2m (£36.1m). These additional provisions were needed because of the continued reduction of values in some of the group's businesses, many of which are in the process of being discontinued.

Mr Bob Sellier, chief executive, acknowledged that Lovell has "a lot of problems," but he said "we have faced up to them and we are working through them realistically."

n

He said particular attention is being paid to cash flow management. During the latest period the group showed a net inflow of £11.3m.

As a result, net debt on the balance sheet fell to £55.2m (£66.6m).

Off balance sheet there was a further £45m of borrowings at the year-end. Shareholders funds fell to £45.5m (£70.4m), reflecting the consolidation of the business.

# Buoyant exports help Halma jump 21%

By Andrew Bolger

A STRONG export sales performance helped Halma, the safety and environmental control group, increase pre-tax profits 21 per cent to £8.12m.

Turnover rose 15 per cent to £50.9m in the 27 weeks to October 3. Direct exports increased 24 per cent to £13.5m and overseas sales rose 19 per cent to £24.5m.

The group said the results reflected a good performance across the board from almost all its 38 subsidiaries.

Mr David Barber, chairman, said UK activities in themselves had a strongly positive balance of payments, so the devaluation of sterling would benefit profitability. Many of the group's products were firmly established in their overseas markets, so the currency change would lead to either increased sales or higher profit margins.

Halma spent £1.8m on acquisitions, including £800,000 for IPC Resistors in Canada and its sister company in Kentucky, which should improve its position in the US market for heavy-duty resistors. Cashflow remained buoyant and the group had no net borrowings.

Earnings per share increased to 3.77p (3.25p) and the interim dividend is lifted to 1.036p (0.863p).

**● COMMENT**

Halma's shares jumped 8p to close at 208p, partly because the shares are tightly held and marketmakers had to scramble to cover their positions. There can be little quibbling about the 21 per cent jump in pre-tax profits, more than half of which came from acquisitions. Sales to continental Europe rose 32 per cent, and the group is confident it can survive any looming downturn there – mainly because its niche products are often driven by environmental and safety legislation. The only catch is that forecast full-year profits of £19m put the shares on a prospective multiple of 23, a 40 per cent premium to the market. Longer-term, analysts wonder whether the company's consistent growth record can be maintained as it grows in size. Existing shareholders have done well by sitting tight, but prospective buyers at this level should consider how much further the shares can advance.

# Growth in south-east Asia behind 31% gain at Courts

By Peter Pearse

OVERSEAS growth, especially in the Far East, enabled Courts (Furnishers), the home furnishings group, to report pre-tax profits up 31 per cent at £2.81m in the half-year to September 26.

The shares advanced 25p to 344p.

The rise from £2.14m was also helped by property profits of £311,000 (losses £322,000) and was struck on turnover ahead at £84.2m (£80.7m).

Turnover in the UK fell to £46.6m (£48.1m), but overseas it advanced to £37.6 (£32.7m), thanks mainly to strong performances from Singapore and Fiji. Sales were up, though less strongly, in Malaysia, Papua New Guinea, Mauritius and St Lucia.

Consumer confidence in the UK suffered, said Mr Paul Cohen, chairman, from the fear of unemployment, while the housing market remained depressed.

Four high street stores were closed, reducing the group's outlets to 95. A new superstore is scheduled to open in Swindon in May.

Mr Bruce Cohen, chief executive, said that the group's 28 superstores accounted for two thirds of UK turnover. If a superstore makes £110 per sq ft, a high-street store makes only £68, he added.

In October, Courts floated 25 per cent of its Singapore subsidiary on the Singapore stock exchange, raising £6.3m.

Other overseas arms to have been floated are: Jamaica, 29 per cent; Barbados 10 per cent and Mauritius 12 per cent. Mr Bruce Cohen said that Malaysia was possibly the next.

The interim dividend is held at 1.83p, payable from earnings per share of 4.95p (2.69p).

Gearing stood at about the same level as last time's 48 per cent, though Mr Bruce Cohen said that it was nearly twice covered by Courts' internally financed worldwide consumer credit, worth about £90m.

# Thames completes UK Gold funding with BBC

By Raymond Snoddy

THAMES TELEVISION and the BBC yesterday completed the funding of UK Gold, the British satellite television company based on popular repeats.

TCI, the largest cable television operator in the US and with US West one of the largest in the UK, has taken a 27 per cent stake in the £35m venture – £25m cash and a £10m standby fund.

The BBC has a 20 per cent stake, Thames 15 per cent plus an option for a further 5 per cent and Cox, the large US media company, 38 per cent.

TCI is also involved in cable programming through channels such as Discovery, the factual channel, Bravo, the classic movie channel, and the Children's Channel.

UK Gold is based on the programme libraries of Thames and the BBC and shows early episodes of programmes such as Casualty, The Bill, EastEnders and Dallas.

It is the start of the development of a "secondary market" in UK programmes – creating a channel specifically dedicated to showing library material.

The channel, launched on November 1, attracted an average weekly reach in multi-channel homes of 41.2 per cent equal, UK Gold estimates, to about 2.75m adults.

Nearly half of UK Gold's viewing comes from 16-34 year-olds, a higher proportion than either ITV or Channel 4.

# BBA buys rest of US offshoot

BBA GROUP, which serves the automotive, industrial and aviation markets, has conditionally agreed to acquire the outstanding 20 per cent minority shareholding in IGH, its US subsidiary, as part of an overall settlement of all litigation with the original vendors.

Shareholder approval will be sought because the vendors are currently directors of IGH.

BBA acquired the 80 per cent of IGH in May 1989 for a consideration of \$51.6m (£30.7m). The acquisition arrangements included provisions for the vendors to receive an earned pay-out of \$15m based on the results of IGH for the two years ended June 30 1990 which has not become payable.

During the course of 1991 actions were brought against BBA and certain of its subsidiaries' directors and its employees in a New York Federal Court by the vendors. The damages claimed were in the sum of \$300m.

The settlement details mean that when added to the consideration BBA paid for the original 80 per cent of IGH this gives an aggregate acquisition cost to BBA for 100 per cent of IGH of \$72.6m.

## Schroders launches its first UK investment trust

Schroders, the merchant bank and fund management group, plans to launch its first investment trust based on UK equities in the new year.

The new trust, called the Schroder Split Fund, will have a split capital structure and Schroders will link a personal equity plan to the high-yielding income shares.

The only investment trusts Schroders has launched to date are based on specialist areas such as Greece and Korea.

## Midlands Radio lower after exceptional cost

After exceptional restructuring costs of £277,000 compared with £35,000, Midlands Radio's pre-tax profits showed a marginal decline in the year to September 30.

On turnover 3 per cent up at £10.4m, operating profits, after regulatory costs, advanced 24 per cent to £1.28m.

Pre-tax profits, however, fell by just £8,000 to £679,000.

Earnings per share improved slightly, from 3.3p to 3.35p, and the proposed final dividend is maintained at 1p for an unchanged total of 2.5p.

Mr A Parkinson, chairman, reiterated that an approach had been made to the board which might or might not result in an offer for the company. He said that discussions were continuing.

# Enterprise Computer repeats losses of £3.4m

By Alan Cane

REORGANISATION and restructuring measures at Enterprise Computer Holdings, a supplier of second user IBM computers, failed to stem losses in the six months to September 30.

Mr Shaun Dowling, chairman, said the company had captured its share of the available business in a market that was showing continuing deterioration and that an improvement in economic conditions would be necessary before the company would prosper.

Turnover of £35.5m was 38 per cent down compared with the same period last year reflecting in part the disposal of non-core businesses.

The loss before tax was £3.39m compared with £3.4m in 1991. Losses per share were 4.3p (4.6p) and the interim dividend is passed.

New management under Mr Dowling took over on June 1. The business has been slimmed down from 13 sites to three key operations in the UK, Germany and US.

Overheads have been cut by £4m a year but shareholders; funds are now down to £1.4m.

Mr Dowling said he believed the losses and drain on cash were now behind the company: "The second half has started rather more optimistically" he said, and I hope to report a general improvement at the year end."

# Prescription for a smooth handover

## Peggy Hollinger on the retirement of Bill Pybus after 25 years at AAH

MR BILL PYBUS will celebrate his 25th anniversary at AAH Holdings by quitting the healthcare and distribution group. The group will announce today that he is retiring as chairman some five months earlier than planned.

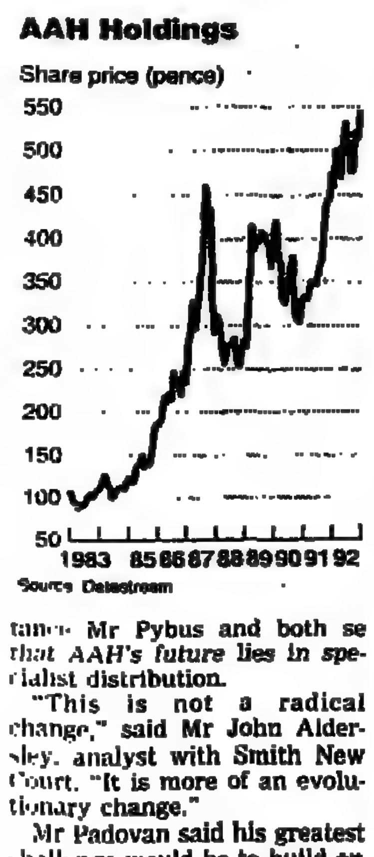
Mr John Padovan, a former merchant banker and at present deputy chairman, will become chairman from January 1.

Mr Pybus, a large friendly figure just shy of 70, has won considerable respect in the City during his time with the company. Under his stewardship, AAH has been transformed from an unassuming coal distribution company with a market capitalisation of about £4m, to the UK's leading wholesale pharmaceutical distributor with a value of about £450m.

The company now ranks in the top 200 quoted companies by market value. Last month it announced interim pre-tax profits of £17.5m on sales of £679.7m.

Mr Padovan's elevation had been widely expected following his arrival on the board in March. However, it had been assumed that the handover would be made at the end of the financial year in April. Mr Pybus said he had decided to retire early, "to get John in the driving seat as soon as possible".

Company observers are not expecting a great shake-up. A former deputy chairman of Barclays de Zoete Wedd, Mr Padovan has much in common with his long-time acquaintance Mr Pybus and both see that AAH's future lies in specialist distribution.




"This is not a radical change," said Mr John Aldersley, analyst with Smith New Court. "It is more of an evolutionary change."

Mr Padovan said his greatest challenge would be to build on Mr Pybus's achievements.

When Mr Pybus joined the board in 1968, Amalgamated Anthracite Holdings, was heavily dependent on a solid fuels market, where turnover was estimated to be declining at about 10 per cent a year.

AAH also owned a ragbag of other businesses. Forced by the nationalisation of the coal industry in 1947 to give up control of its mines, the company had moved into such diverse areas as heavy engineering and even a chicken hatchery.

However, shareholders might have guessed as early as 1968 that Mr Pybus's ambitions lay in a different direction. In his first chairman's statement, Mr Pybus made his intentions quite clear: "The future should offer scope for a well-run transport business to earn a fair profit and this is a field in which the skills required are those which we have in the group."

His early ambitions have since been realised, largely through the group's strength in the pharmaceuticals sector. The big break came in 1985, with the purchase of Vestric, Glaxo's distribution arm, for £15m. In a single bound, AAH jumped from fourth to first place in the UK wholesale pharmaceuticals distribution league.

The company now provides some 70 per cent of wholesale drugs to hospitals in the UK and claims 29 per cent of the total UK wholesale drugs distribution market worth £3.2bn a year.

Vestric not only brought AAH a national distribution network, but also radically altered the composition of the group's profits. The purchase allowed Mr Pybus to edge out the solid fuels business, which was sold in 1987.

Bill Pybus: laid solid foundations

With hindsight, the exit from solid fuels was neatly timed: "They have had desperately warm winters ever since, so we are extremely relieved," said Mr Pybus.

It is the pharmaceuticals arm which will provide the group with its bread-and-butter profits for the next few years.

In the short term, the withdrawal last year of major rival, Medicopharma, has helped AAH substantially to increase its market share.

Further out, the opportunities abroad are also tempting and the company has taken its first tentative steps with the proposed acquisition of Ireland's Cahill May Roberts group. However, the tightly-held nature of pharmaceutical businesses in continental Europe means such expansion is likely to be lower on the list of priorities.

Analysts point to the opportunities for the group's other divisions, such as environmental services and building supplies. "There are many more contracts to be won from local authorities" under the new competitive contract tendering regulations, according to Mr Tony Daw, analyst at Kleinwort Benson. Only about half have been tendered so far.

Building services, which reported interim profits of £1.5m, is also an obvious candidate for expansion. The smaller retail pharmacy division will continue to grow through acquisitions.

The caveat to such opportunities would have to be economic recovery. With about 80 per cent of profits dependent on pharmaceuticals, the group's defensive qualities appear to outweigh its cyclical exposure. Nevertheless, analysts are forecasting about £37m for the current year, against £32.2m last time.

Mr Padovan is confident the foundations laid by Mr Pybus are solid enough to achieve those profits and eventually more.

## US expansion for Bemrose

Bemrose Corporation, the security and promotional printer, is expanding in the US through an interest in Lite-R-Line, distributor of nail clippers, pen knives, and emery boards as promotional gifts.

Bemrose Yattendon, the 50 per cent owned US associate, has paid \$1.45m (£928,000) for the assets and goodwill of Lite-R-Line from London International Group. Sales for 1992 will approach \$2m.

For 1991, Bemrose Yattendon contributed £957,000 to group profits, a rise of 67 per cent. In the first half of this year profits were a further 41 per cent ahead of 1991.

## Deficit at Hobson reduced to £8,000

Losses at Hobson were cut from £42,000 to £8,000 pre-tax in six months ended September 30. Turnover of £3.08m compared with £2.81m.

Both the toiletries manufacturing operation and commodities trading activities were profitable at the operating level, although the former suffered from low sales volumes.

Losses per share of the USM-quoted company emerged at 0.02p (0.08p).

## DIVIDENDS ANNOUNCED

| | | Current payment | Date of payment | Corres-ponding dividend | Total for year | Total last year |
|---|---|---|---|---|---|---|
| Brasway | int | 0.24 | Mar 9 | 0.24 | - | 0.58 |
| Courts | int | 1.83 | Apr 8 | 1.83 | - | 5 |
| Creighton's § | int | 2.1 | Feb 20 | 2 | - | 7 |
| Dartmoor Inv Tst | int | 2.5 | Jan 29 | 2.4 | ‡ | 11.2 |
| Enterprise Comp | int | nil | - | 1.25☆ | - | 1.25 |
| Greencore | fin | 5* | Feb 26 | 4.5 | 8 | 4.5 |
| Halma | int | 1.036† | Feb 15 | 0.863 | - | 2.195 |
| Hardys & Hansons | fin | 5.1 | Mar 8 | 4.82 | 7.8 | 7.5 |
| Hoskyns | fin | 1.65 | Mar 16 | 1.65 | 2.4 | 2.4 |
| Lovell (YJ) | fin | nil | - | nil | nil | 2.2 |
| Melville Street | int | 1.5 | Jan 29 | 1.5 | - | 4 |
| Midlands Radio | fin | 1 | Feb 26 | 1 | 2.5 | 2.5 |
| Reliance Secur § | int | 1.1 | Feb 2 | 1.1 | - | 4.5 |
| Sanderson Elect | int | 5.4 | Feb 8 | 5.4 | - | 9 |
| S'thn Elect | int | 5.6 | Mar 22 | 4.9 | - | 15.66 |
| S'thn Water | int | 7.1 | Apr 1 | 6.5 | - | 19.5 |
| Triplex Lloyd | int | 2.5 | Feb 24 | 2.5 | - | 7 |

Dividends shown pence per share net except where otherwise stated. †On increased capital. §USM stock. *Irish currency. ☆Comprised two interims on account of 15 months period. ‡Makes 5p (4.3p) so far.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales

| 1/2 hour period ending | Provisional Price for Trading on 16.12.92: Pool purchase price £/MWh | Final Prices for Trading on 16.11.92: Pool purchase price £/MWh | Final Prices for Trading on 16.11.92: Pool selling price £/MWh |
|---|---|---|---|
| 0030 | 17.70 | 18.85 | 18.85 |
| 0100 | 22.43 | 23.28 | 24.72 |
| 0130 | 26.00 | 29.95 | 31.84 |
| 0200 | 26.00 | 29.95 | 31.57 |
| 0230 | 22.43 | 23.28 | 24.64 |
| 0300 | 22.43 | 23.28 | 24.64 |
| 0330 | 20.48 | 20.80 | 20.80 |
| 0400 | 17.88 | 18.88 | 18.68 |
| 0430 | 17.70 | 18.52 | 18.52 |
| 0500 | 17.70 | 18.50 | 18.50 |
| 0530 | 17.71 | 18.28 | 18.28 |
| 0600 | 17.71 | 18.38 | 18.28 |
| 0630 | 17.70 | 18.64 | 18.64 |
| 0700 | 22.53 | 22.94 | 24.36 |
| 0730 | 23.24 | 22.94 | 24.34 |
| 0800 | 23.45 | 22.99 | 24.37 |
| 0830 | 26.73 | 23.28 | 24.64 |
| 0900 | 29.61 | 25.34 | 26.78 |
| 0930 | 29.61 | 25.75 | 27.20 |
| 1000 | 29.61 | 28.78 | 30.30 |
| 1030 | 26.73 | 28.76 | 30.30 |
| 1100 | 26.06 | 25.75 | 27.19 |
| 1130 | 26.06 | 25.75 | 27.20 |
| 1200 | 26.06 | 25.63 | 27.07 |
| 1230 | 26.06 | 25.75 | 27.20 |
| 1300 | 26.06 | 25.75 | 27.21 |
| 1330 | 24.09 | 25.63 | 27.09 |
| 1400 | 20.87 | 22.89 | 24.36 |
| 1430 | 20.87 | 25.75 | 27.22 |
| 1500 | 20.62 | 25.75 | 27.21 |
| 1530 | 20.65 | 22.99 | 24.36 |
| 1600 | 27.42 | 27.88 | 29.61 |
| 1630 | 31.30 | 41.05 | 46.35 |
| 1700 | 40.46 | 61.65 | 69.45 |
| 1730 | 40.36 | 64.54 | 71.79 |
| 1800 | 37.84 | 52.26 | 57.78 |
| 1830 | 28.06 | 36.10 | 38.62 |
| 1900 | 27.09 | 29.98 | 31.57 |
| 1930 | 26.95 | 29.20 | 30.67 |
| 2000 | 26.95 | 27.60 | 29.04 |
| 2030 | 23.48 | 26.33 | 26.72 |
| 2100 | 23.24 | 23.26 | 24.60 |
| 2130 | 23.03 | 22.29 | 24.33 |
| 2200 | 23.03 | 22.98 | 24.33 |
| 2230 | 23.00 | 22.99 | 24.34 |
| 2300 | 20.03 | 20.92 | 20.92 |
| 2330 | 17.71 | 18.21 | 18.21 |
| 2400 | 17.70 | 18.21 | 18.21 |

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.88/MWh becomes 1.688p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by NGC Settlements Limited. Anyone wishing to receive such information should telephone 0602-456786 between 8.30am and 5.15pm Monday to Friday.

FINANCIAL TIMES SURVEY

# THE BALTIC BASIN STATES

Wednesday December 16 1992

THE Cold War which chilled the Baltic region for nearly half a century is over, and with it the sterile balance of fear which turned many Baltic harbours into naval bases and reduced east-west trade to a trickle.

Instead of a highway, like the Mediterranean, this northern inland sea became a backwater: a *cordon sanitaire* between the Nordic world and the Slavic hinterlands. It was divided between the flourishing market economies of its northern and far western shores and the impoverished, Soviet-dominated south and east.

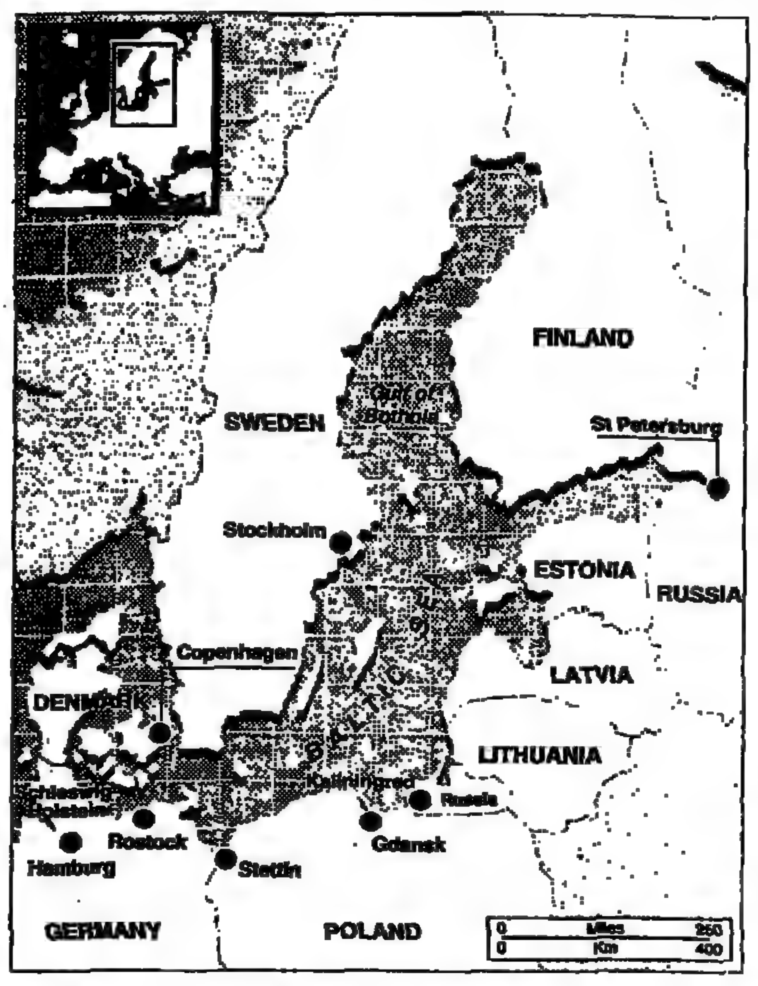
Now, the disappearance of these artificial divisions has created a sudden and unexpected opportunity to restore old connections and establish new networks for the 95m people, with an aggregate gross national product of $600bn, who live in the lands which drain into the Baltic sea.

Optimists such as Mr Carl Bildt, the Swedish prime minister, believe that "liberation of the economies of north western Russia and the Baltic states, and the entry of Finland, Sweden and Norway into the emerging European Union, is a powerful combination that promises to turn northern Europe into a growth region in the decades ahead."

Like others who dream of a revitalised north which is no longer on the periphery, but an integrated part of Europe, he accepts that its future depends largely on what happens beyond the Baltic shores.

A more assertively nationalistic Russia could jeopardise the first tentative moves to Baltic integration. A westward-looking Russia, by contrast, would play a vital part in the re-emergence of northern Europe. Above all, it would stimulate the full development of St Petersburg as that window on the west decreed by Peter the Great in 1703, when he ordered Italian architects to build a granite city on the frozen marshland won from Sweden at the battle of Poltava.

Looking to the future in Copenhagen, where the first steps towards new Baltic structures have been taken.




## End of a long dark winter

**The collapse of Soviet hegemony offers the Baltic countries an opportunity to restore historic connections. Anthony Robinson and Robert Taylor report**

With nine different languages, no obvious central core, a variety of religions and cultures and the lack of any common identity, it is doubtful whether the states which border the Baltic will ever create over-arching political institutions. "Historically the peoples round the Baltic have seen themselves as being part of a common area," explains Mr Ivo Iliste, head of the Swedish based Baltic Institute. "Outer forces, particularly Russia, have made them realise there may be a point in coming together."

Thus far Baltic history has been more a struggle for supremacy than co-operation, as Sweden, followed by Russia and Germany, sought hegemony over the disparate countries of the region. "The area has been the recipient not the creator of civilising influences," says Professor David Kirby of London University. The Baltic region idea remains "flimsy," with "many interests pulling against it," but a "flexible Baltic identity" could emerge, he believes.

The re-unification of Germany means that the most powerful economy in Europe is now back with a more solid presence in the western Baltic. Once the economy of the five eastern *Länder* recovers, and Berlin resumes its full role as Germany's capital, the Baltic ports which traditionally handled trade from this region, including those such as Szczecin and Gdansk, which are now in Poland, will benefit from renewed prosperity in their German as well as wider central European hinterland.

Such a prospect inevitably invites comparison with the Hanseatic League, which stimulated Baltic trading from the 13th century on. Mr Pehr Gyllenhammar, Volvo's executive chairman and Mr Björn Engholm, Schleswig Holstein's Social Democratic prime minister, have spoken up enthusiastically for a revival.

Meanwhile, the three Baltic states, Estonia, Latvia and Lithuania, have already established a Baltic Assembly – and the Nordic countries all belong to the loosely organised Nordic Council. But these are not embryonic supranational bodies with wide powers and responsibilities.

Last March, in Copenhagen, a Council of the Baltic Sea States was established by Danish-German initiative as a regional forum to intensify co-operation and co-ordination based on free market principles and commitment to democratic institutions. Its initial declaration points to a range of issues for co-operation including economic and technological assistance, environmental protection, transport developments and cultural, educational and tourist exchanges. But the Council lacks a secretariat or an office and is very much inter-governmental.

Other tentative organisations are emerging. Chambers of commerce have established a common body. So have the Baltic ports. The universities of the area are developing exchanges and scholarships. Cultural contacts are growing.

But economic convergence over the Baltic area looks as if it will take a long time. The transition from the Soviet command economy to the free market on the eastern side of the Baltic will be painful and slow. A variety of international and bilateral assistance is being provided at government level, but so far western private companies have been more cautious. The Nordic recession has meant leaner times at home, and greater reluctance to develop corporate strategies in the Baltic area without credit guarantees.

In the longer term, however, many manufacturing companies – faced with high labour and other costs in Scandinavia and Germany – are likely to invest in low-cost production plants close to the southern and eastern shores of the Baltic in preference to southern Europe or distant Asia.

Over the last two traumatic years the foreign trade of Russia and the newly independent Baltic states has actually declined. But all three Baltic states are re-orientating their economies and trade westward. Longer term, the reconstruction of European Russia, especially the greater St Petersburg region, should revive the cross-Baltic trade which flourished before the first world war as Russia industrialised and urbanised at full speed.

Much depends on long term infrastructure projects such as the proposed Via Baltica which would plug both sides of the Baltic into the European motorway network and stimulate the economic development of the Baltic hinterland. Modernising the ports like Kaliningrad, Gdansk, Riga, Tallinn and St Petersburg to take fuller advantage of low cost sea transport is also a priority.

Environmental concerns demand prompt action to clean up the heavily polluted Baltic and the air contaminated by the heavy industries of the former communist states. Nordic technology is already helping to repair nuclear power stations in the east.

At present, however, turning dreams into reality is hard. This winter north west Russia and the Baltic states are struggling to maintain energy and food supplies. Anxieties remain over the continuing Russian military presence in the Baltic states and Kaliningrad. Discriminatory nationality laws in Estonia and Latvia threaten to stir up ethnic tensions as Russians feel they are treated as second class citizens.

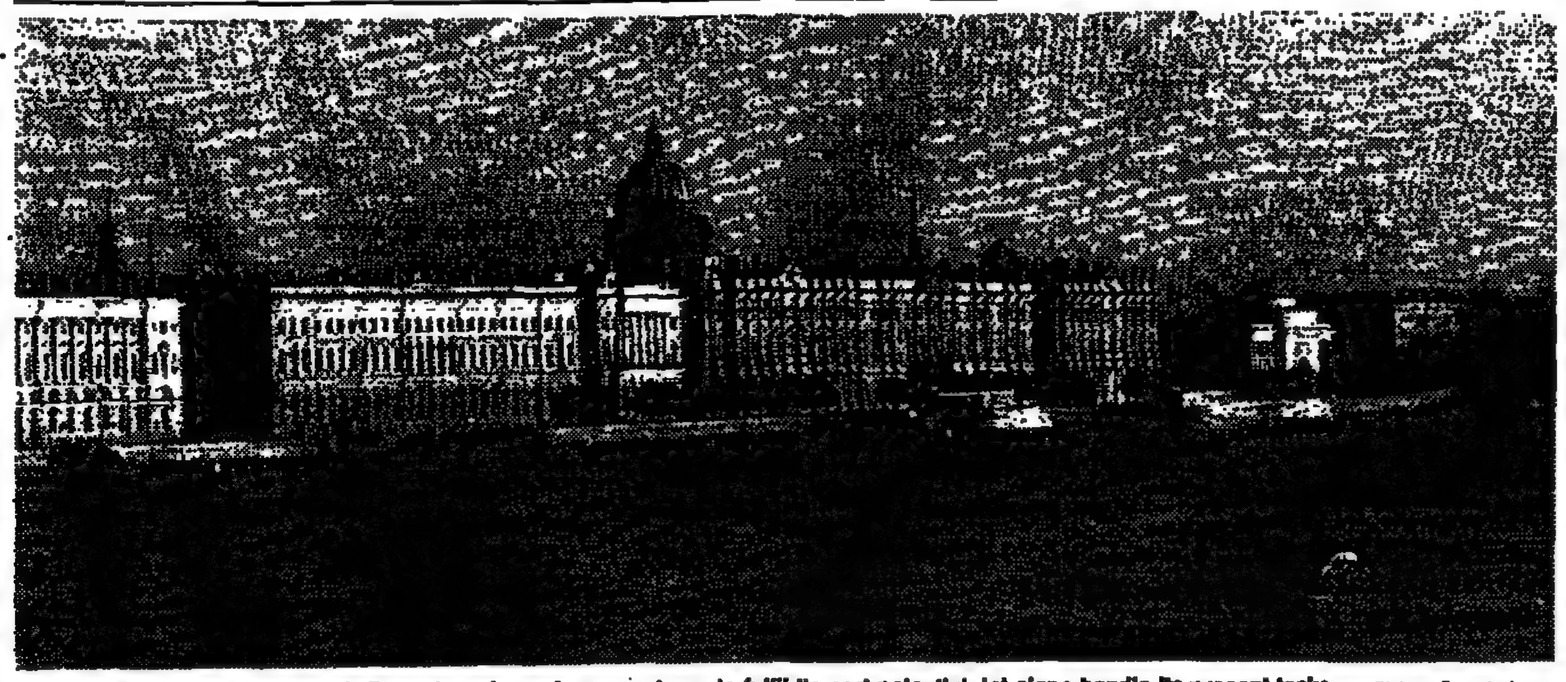
Politically, the re-emergence of a vibrant Baltic region could help Poland, together with Hungary and Czechoslovakia, to speed up entry into the EC behind the Nordic states, whose expected entry, by 1995, will help tilt the balance of economic power and influence in the Community northwards.

But Professor John Hiden and Patrick Salmon warn in their recent book, The Baltic Nations and Europe, that the lessons of history suggest the need for caution. Efforts to translate pan-Baltic dreams into reality between the first and second world wars were a "gloomy story of mutual mistrust and frustrated hopes," they write.

This time such a dénouement may be avoided. Mutual self-interest, backed by the Helsinki accords on cooperation and security in Europe, argues for the emergence of a new region of economic prosperity and political co-operation to replace the rivalries of the past.

### IN THIS SURVEY

# THE BALTIC BASIN STATES 2



There are ambitious plans, but St Petersburg has a long way to go to fulfil its port potential, let alone handle its present tasks *Picture: Tony Andrews*

### St Petersburg is still Russia's window on the west

## Investment badly needed

THREE centuries after it was founded by Peter the Great, the port city of St Petersburg is looking for a new lease of life as Russia's window on the West.

The collapse of the Soviet Union, allocating other key ports on the Baltic and the Black Sea to other states, has reasserted its role as Russia's main maritime gateway to the West. But the port itself is badly in need of reorganisation and investment to meet the challenges of a newly-opened Baltic Sea.

As often the case in Russia, grand ideas still outnumber actual projects and funds to redress matters. "Everything is still at the stage of conversations," says Mr Anatoly Bilichenko, the deputy director of the city's trade port.

Mr Vladimir Fedoseyev, an official from the St Petersburg mayor's office, sketched ambitious plans to create a "free entrepreneurial zone" on the basis of an expanded port. Despite the government's known scepticism about tax concessions for specific areas to become free economic zones, he claims that Moscow is "on the verge" of giving the project the go-ahead. The idea is to develop the present port so it reaches annual capacity of 20m tonnes by the year 2000.

Meanwhile, both St Petersburg's state-owned Baltic Shipping Company and private entrepreneurs are vying to set up a brand new super-port outside the city. Rejecting this project as "a typical example of. . . Communist-style gigantism," Mr Bilichenko says any new money should be invested in re-equipping and developing his port – and foreign assistance available so far has focused on just that.

"We have always been Russia's most universal port both in terms of cargo and onward transport facilities," he says. He points to infrastructure including comprehensive air, rail and road links from the port, itself a 15 minute drive from the centre of St Petersburg.

Unlike more specialised ports elsewhere, St Petersburg port handles almost everything except oil – a sore subject given local environmentalists' opposition to talk of building an oil terminal which would help make up for export-handling capacity lost elsewhere.

But St Petersburg still has a long way to go to fulfil its potential, let alone handle its present tasks.

Ships loaded with scarce supplies of sugar recently had to wait weeks to be unloaded and this year Mr Bilichenko had to turn down 4-5m tonnes of business exceeding the port's annual capacity of 13m tonnes. But he believes that relatively small amounts of money – $50m to $60m – would be enough to buy spare parts and new loading equipment to quickly expand capacity by at least 1.5-2m tonnes.

The main problem is a lack of finance. While most of the port's customers are Russian ships which pay for port services in roubles, virtually all the equipment and spare parts needed by the port can be bought only with precious hard currency in the West. "It so happened that these things were not produced by our enterprises," Mr Bilichenko says somewhat ruefully, referring to the priority given by state industrial planners to defence production under seven decades of Communist rule.

Russia is now trying to switch part of its defence industry – some of it concentrated in St Petersburg itself – to civilian uses, but this is a process requiring time and huge amounts of capital which have so far not materialised.

Recognising its importance to Russia (including its role in distributing western humanitarian aid and food imports), the World Bank has promised the port $10m out of a $350m loan to Russia for infrastructure improvements. Tenders for the purchase of some of the equipment the port needs are to be held imminently, according to World Bank officials. The European Community is also pitching in with $4m in technical assistance to help reorganise the port.

Mr Bilichenko says the port itself can raise $5m to spend on new equipment. He also hopes, apparently without much conviction, to attract rich shareholders when the port is turned into a joint-stock company as part of the government's privatisation plans. With 51 per cent of shares to be sold to its 6,000 employees, another 30 per cent will be offered to outside investors.

Meanwhile, one of Russia's new entrepreneurs wants to build the country's first private port. Mr Ilya Baskin, who recently launched a satellite containing advertising material on Russian companies and aimed at the United States, says he has already obtained all the necessary permits from various local authorities to lease a site 100km out of town for a new port. He claims to have defeated a rival scheme by the Baltic Shipping Company to build a 180m tonne port on the same site at the fantastic cost of $19bn. Mr Baskin claims it will take him two to three years to set up a port with capacity of 30m tonnes and that he already has the money to start work.

**Leyla Boulton**



### Sweden has some past embarrassments to live down

## Sympathy with caution

SWEDEN TODAY likes to see itself as the strategic linchpin of a potential Baltic region. But it must live down past embarrassments. Neutral Sweden was one of only three countries in 1940 which recognised Stalin's brutal annexation of Estonia, Lithuania and Latvia. The other two were Hitler's Germany and Franco's Spain.

The Swedish government also lost no time in handing over to Stalin the Baltic gold stored in the country by the fleeing Baltic authorities. In 1945-1946 it went on to deport, forcibly and in public, escaping Baltic soldiers to the tender mercies of the Soviet authorities.

After that, for 45 years, Sweden"s foreign policy of neutrality looked south to the developing world and a lesser extent western Europe. As Bo Kragh, adviser to the Estonian and Latvian governments, explains, Swedes knew all about Chile, South Africa and Vietnam but nothing about the Baltic states who had vanished into the maw of the Soviet Empire.

Then suddenly, in 1988, Sweden's "forgotten neighbours" could be seen on Swedish television waving their national flags and calling for independence from Kremlin rule. In Sweden there was an astonishingly emotional outpouring of sympathy for the Baltic states.

Every Monday lunchtime for weeks in 1990-1991, hundreds of Swedes would gather in a central Stockholm square to demonstrate their solidarity with the Baltic cause. At first the main attenders were old emigrés from Latvia and Estonia who had settled in Sweden after the second world war: by the end in August 1991 the country's entire political establishment were present.

The Baltic states began to look to Sweden for more than verbal commitments. Contingency plans were prepared to establish and recognise their governments in exile in Sweden if the August 1991 hardline coup in Moscow had succeeded. Swedish politicians of all parties across the left-right spectrum spoke up loudly for the cause of Baltic independence.

As long as the Russian military presence in the Baltic states remains, however, Stockholm is bound to take a cautionary view. It is possible Sweden may be ready in future to try and exert pressure on Russia to withdraw its troops. This would indicate how far Sweden is willing to go to help its Baltic neighbours and risk antagonising Russia.

Until now recession-hit Sweden has not been particularly generous in its trade and assistance programme for the Baltic states. Public financial support has been described as pitiful. In the current financial year the government has allocated SKr1.2bn ($206m) for the whole of eastern Europe of which SKr700m ($120m) will go to Estonia, Lithuania and Latvia. This is part of a SKr1bn ($172m) a year programme of aid over three years.

A severe problem for Swedish companies is the lack of long-term export credit guarantees for any projects they propose in areas of the former Soviet Union.

Until now the country's export credit guarantee board has taken up a highly restrictive attitude – much to industry's dismay.

Under intense lobbying from employers, however, the Swedish government is expected to modify its attitude in next month's budget. Credit guarantees will be available after July 1, 1993, although industry does not believe the sum of money will be enough to attract larger companies.

Swedecorp as a government agency is promoting and taking part in industrial development activities on the eastern side of the Baltic.

This year it has invested in three joint venture projects – two in Poland and one in Latvia. It has also helped administer promotions in the area. Assistance is also coming from BITS, the technical aid organisation.

Cold war flashback: a Soviet spy submarine trapped near the Swedish naval base of Karlskrona, guarded by two Swedish gunboats

**In 1988 there was an emotional outpouring of sympathy for the Baltic states, but as long as the Russian military presence remains, Stockholm is bound to take a cautionary view**

Despite official Swedish caution, a growing number of companies have decided to take the risk and start up activities on the other side of the Baltic. Asea Brown-Boveri, the engineering giant, has revealed a long-term strategy plan for the region and it has been particularly active in establishing joint ventures in Poland and eastern Germany. ABB opened up offices recently in Riga and Tallinn.

"In the Baltic states there is a great need to upgrade and modernise their entire infrastructure – everything from power generation and transmission to transportation," argues Mr Bert-Olof Svanholm, ABB's president in Sweden. But he also insists "export credits and investment guarantees are a necessity."

Last month Molnlycke, the Swedish paper company, announced it had acquired a majority shareholding in Viscan, the Polish diaper manufacturer in Wroclaw in Silesia.

Televerket, the Swedish telecommunications company, has been particularly active through the creation of joint ventures in the Baltic states for the development of mobile telephone networks.

The country's main electricity supply company, Vattenfall, is one third partner with its rival Sydkraft and the German company Preussen Elektra in the construction of the Baltic Cable linking up the electricity grids of Scandinavia and northern Germany.

Vattenfall is also developing environmentally-adapted and inexpensive power production plants in Poland and it is collaborating with the Finnish power company Ivo in modernising Estonia's power system.

Other companies active in the Baltic area include Ikea, the furniture group; Tetrapak, the packaging company; the insurance group Trygg-Hansa, and Svenska Handelsbanken.

The low cost of production in the east and its proximity to Nordic markets should encourage more companies to take a chance.

But, battered by Sweden's current recession, employers are in no mood for Baltic expansion unless the government becomes much more generous in its credit guarantee policy – which looks unlikely.

**Robert Taylor**

### Finland's attitude towards an open Baltic has been muted

## 50 years in the shadow

FINLAND has been somewhat less than enthusiastic about the opening up of the Baltic area. Caution has been an understandable watchword in policy making for a country which since 1944 has learned how to survive under the shadow of Moscow.

President Mauno Koivisto aroused international criticism when he appeared to criticise the high risk tactics of the Latvian and Lithuanian governments during the tense days of January 1991 when the infamous para-military Soviet Black Berets acted violently.

**Some Finnish private companies are keenly interested in opening up the eastern side of the Baltic to the rigours of the market economy**

Since those events Finland has taken a more sympathetic attitude to the countries of central and eastern Europe. In 1991 the government provided FM221m ($54.4m) in grant assistance with a further FM247m ($55.67m) allocation this year.

The Finnish Department for Export Credits has provided commercial credits worth FM50m ($11.2696m) to Estonia and FM7m ($1.578) for technical help in the Baltic states. Earlier this year 100,000 tons of heating oil were dispatched by Finland to help Estonia through its grim winter.

At the beginning of 1992 Finland established technical assistance funds in the World Bank and the International Finance Corporation of FM3m ($0.726m) and FM1.5m ($0.363m) respectively.

A number of Finnish private companies are also taking a keen interest in the opening up of the eastern side of the Baltic to the rigours of the market economy. This is particularly true in the transport sector. Neste, the state-owned oil conglomerate, is establishing badly needed petrol filling stations throughout the region in Warsaw, St Petersburg and Riga. It is campaigning actively for the development of the Via Baltica - a modernised motorway that it is hoped will link the area with western Europe early in the next century.

Finland's Baltic role has to be seen in a much wider context. Finnish foreign minister Paavo Vayrynen claims that his country is the only developed market economy which shares a common border with Russia. This has meant a focusing of Finnish assistance on specific areas close to Finland - Murmansk, Karelia and the St Petersburg area.

But at the same time trade between Finland and Russia has almost collapsed in the aftermath of the abolition of the mutually beneficial bilateral clearing house system that operated successfully from 1948 to 1990. Like Sweden, Finland is also going through a severe economic recession with sizeable cuts in its own domestic spending programmes and a squeeze on Finnish living standards. Such unprecedented belt tightening has not put the traditionally insular Finns in an altruistic mood to shoulder any Baltic responsibilities.

Finnish relations with Estonia promise understandably to be the closest. The languages of the two countries are similar and their geographical proximity over the Gulf of Finland ensured that even at the height of the Cold War ties were not cut completely. In 1964 President Urho Kekkonen visited Estonia, followed by trade and cultural contacts and the opening of a consular office in Tallinn in 1970.

Finnish-owned hotel chains and transport companies are particularly active in improving Estonia's attraction for business customers, while Finnish administrators and businessmen are helping the Estonian reform programme.

**Robert Taylor**

# THE BALTIC BASIN STATES 3

## Relations with Russia

# Eggshell policies

THERE IS, you will be told in the Baltic states of the former Soviet Union, no such thing as "Russo-Baltic relations". Rather there are relations between three sovereign states – Estonia, Latvia and Lithuania – and a fourth, Russia.

This touchiness reflects two things. First, it demonstrates a desire not to be herded together into one post-Soviet lump of indistinguishably similar little countries – a reasonable desire, because these are countries (for all the forced homogeneity of the Soviet period) which are quite dissimilar in language, culture and society, though more similar in economic structure. Second, it reflects a demand to be treated separately by Russia (although all three will invoke Baltic solidarity if it benefits them).

In the past year, the relationships would seem to have sharply declined. President Boris Yeltsin was among the first – even before he became president – to speak for their right to be independent: when Mr Mikhail Gorbachev sent in the special troops in January 1991, Mr Yeltsin went so far as to appeal to the Russians in these detachments to refuse to obey orders.

His victory in August 1991 over the would-be putschists was seen as cementing the independence of these three small and vulnerable republics: his desire to democratise his society and lead it to the market was seen as consonant with theirs.

Not everything has changed, but much has – although the appearance is worse than the reality, and each case is different.

It is certainly the case that none of the leaders now care to pass compliments to and fro on each other's democratic ways: the public pronouncements are now often grudging, even bitter, as the Baltic states accuse Russia of delaying the pull-out of its troops from their countries, and Russia countercharges with accusations that the human rights of ethnic Russians living in the Baltics are being breached.

The best relations, ironically, are with Lithuania; ironical, because the leader for the past two years has been Mr Vytautas Landsbergis, by far the most radical of the Baltic heads of state, a former dissident who professed a constant – and overtly expressed – distrust of Russia.

But the better relationship sprang not from Mr Landsbergis's character, but from the fact that Lithuania did not fear "swamping" by its ethnic Russian population. The Russians account for only 7-8 per cent of the 3.7m people in the country: the Poles, who are actually seen as a bigger problem because they are more militant in insisting on their rights and have a political party of their own, make up 6-7 per cent.

The Lithuanians, over 80 per cent of the population, have in the past been accustomed to welcoming Russians to their country as refugees from political persecution. Even in the Soviet period, since the war, relatively few Russians were settled in the country.

Estonia is different: the Estonian-Russians make up some 35 per cent of the tiny, 1.6m strong population – a majority in Tallinn, the capital, and over 90 per cent in Narva in the north east. In the elections for the parliament earlier this year, most Russians were disenfranchised under a law which awarded citizenship (and hence the voting right) to those who were citizens, or descendants of citizens, of the independent republic which was annexed to the USSR in 1940. This dramatic distancing of hundreds of thousands of people from the state in which they lived raised the ire of the Russians in Russia; and relations became very tense – with a few shooting incidents in which lives were lost.

Under the presidency of Mr Lennart Meri and his "Fatherland" coalition which governs Estonia, there has been some mending of fences, and talks broken off have started again. The Estonian government has said that the registration of Russians as citizens will be made easier by lowering the standards in the language test, and other measures; while the Russians are often unhappy, especially in Narva, so far they are largely staying and do not seem rebellious.

It is in Latvia, where the Russian-speaking population is about 45 per cent, that relations are worst. This is a country where all the towns, especially Riga, the capital, are dominated by Russian speakers; where the large numbers of heavy industrial plants owe their continued (now precarious) existence to Russian and Ukrainian orders; and where mutual distrust is highest.

There is as yet no citizenship law, but the indications are that it too will exempt Russian speakers from effective citizenship. Russian politicians, goaded by their nationalists, have been constrained to respond. Late in October, President Yeltsin threatened to stop the troop pull-out; in November, he wrote to Dr Boutros-Boutros Ghali, the UN secretary-general, to complain of "mass violations of human rights" and to ask for an investigation.

In fact, policy on neither side is that simple. The troop pull-out has never – so it is said by the Russian foreign ministry – been halted, and is not conditional on the observance of human rights. Estonia certainly, and Latvia probably, will tone down their anti-Russian rhetoric and actions, not least because they face popular discontent arising out of recession, gripping all of their states; they do not want to irritate large sections of their inhabitants even more.

Furthermore, most of the Russians appear, at present at least, to be resigned to becoming Latvians or Estonians. Attendance at language classes is growing rapidly and the young, especially, express a preference for staying.

There is no question that the relationships will remain tense: the post-Soviet Baltics have painful memories of Russian occupation, and these remain fresh in the minds of the middle aged and elderly. They know well that an authoritarian turn on Moscow could damage them still. So far – on eggshells – they are avoiding confrontation.

**John Lloyd**

## Kaliningrad, formerly Koenigsberg, remains a special case

# Harsh fortress for defence

KALININGRAD, currently an isolated Russian enclave of 900,000 people cut off from the rest of the Russian Federation by Polish and Lithuanian territory, bears eloquent witness to the changing fate of nations around the shores of the Baltic.

It was better known for centuries as Koenigsberg, a rich and cultured port city which served the orderly agricultural hinterland of eastern Prussia when the southern Baltic was to all intents and purposes a Prussian lake. That Germanic dominance of the southern shores of the Baltic began in the 12th century with the *Drang nach Osten* of the teutonic knights, and culminated in the various partitions which wiped Poland from the European map for 150 years.

It ended in misery as the defeated Nazi armies and millions of refugees streamed westward before the Red Army steamroller, while Nazi generals on Hitler's orders staged desperate and ultimately hopeless rear-guard defensive actions by turning Koenigsberg and Danzig into defensive fortresses. For weeks the city centre was pounded by British bombers as Soviet troops encircled it.

To this day, however, the Prussian influence can be seen in many villages, towns, and cities, in avenues of well-made cobbled roads, sturdy barns and great monuments like the teutonic castle at Malborg. Traces also remain of Hitler's unfinished autobahn, planned to run the length of the southern Baltic to connect Berlin with Koenigsberg.

But Koenigsberg and Danzig, where the second world war began and ended, were physically destroyed by weeks of heavy fighting. Danzig, whose Prussian, Polish and indigenous Kashub inhabitants created a unique micro-culture immortalised in *The Tin Drum* and other novels by Günther Grass, was lovingly rebuilt and reborn as Gdansk. A less fortunate fate befell Koenigsberg, the birthplace of Immanuel Kant, the philosopher of pure reason.

When the war ended, Stalin redrew the map of central Europe. He moved the Polish borders westward over 200kms to include most of former Prussia and Pomerania, while much of pre-war Polish territory to the east was tagged on to Soviet-controlled Lithuania, Belorussia and Ukraine. Millions of Poles from these areas of pre-war eastern Poland now live in the western provinces carved from the Nazi German Reich.

Koenigsberg was renamed in honour of Mikhail Kalinin, a Bolshevik nonentity whom Stalin made the nominal Soviet head of state. Together with a surrounding swathe of former east Prussian territory the city was placed under Moscow's direct control.

For the duration of the cold war Kaliningrad was a closed military district, home to a powerful Baltic fleet and a crucial trans-shipment and supply point for crack Soviet forces in former East Germany.

Children sell posters of old Kaliningrad, once Koenigsberg, made by the Soviet Union into a military enclave for the duration of the cold war

Kant's grave is one of few monuments or traces of the long Prussian sojourn left in a city virtually flattened by war and re-built in the numbingly ugly Soviet way. Ironically, his memory – and that of the Prussian past – is treasured by many of Kaliningrad's contemporary Russian and former-Soviet inhabitants searching desperately for a new identity and purpose in the post-Soviet world.

Much of present day Kaliningrad is ugly and harsh. For months ships and trains have been disgorging arms and men, the detritus of a Soviet army withdrawing from its post-war frontline positions in Germany and from Poland.

Unwanted, and often uncared for, the combination of a demoralised soldiery and masses of lightly guarded equipment and ammunition, has made Kaliningrad a mecca for arms traders from former Yugoslavia, the Middle East and other actual or potential hotspots around the globe. The presence of so many weapons and so many soldiers – up to 300,000 according to some accounts – is extremely unsettling, especially to neighbouring Poland and Lithuania, whose governments want both removed or sharply reduced, as soon as possible.

As for its long term survival, local politicians are talking about their region acquiring autonomy within the Russian federation and forging a special relationship with Germany which would allow the descendants of the former Baltic Germans to return, as investors, tourists and even settlers to the city they once made great.

Boris Yeltsin, the Russian president, meanwhile backs plans to turn the 15,000 square km Kaliningrad region into a free economic zone in the hope, as yet distant, of allowing it to develop a 21st century future as the Hong Kong of the Baltic. The general aim would be the creation of a trading and manufacturing hub for the enormous former Soviet hinterland, which would enjoy free access to materials, capital and markets to both east and west.

The Lithuanian government has already guaranteed free road and rail access to the enclave. The Russian authorities are trying to interest potential Japanese, Chinese and Korean investment to turn Kaliningrad into the western terminal of a new transcontinental link-up with Nakhodka, the planned free zone near Vladivostok on the Pacific.

For such plans to prosper, however, Kaliningrad has to be re-integrated into the region through improved road, rail and sea links, including the completion of Hitler's unfinished autobahn to Berlin, and the Via Baltica linking Scandinavia with St Petersburg.

All this seems far into the future. But it is not entirely fanciful to imagine the re-emergence of a prosperous Baltic with Kaliningrad (probably renamed) as its eastern fulcrum, early in the next century.

**Anthony Robinson**

This beach near Riga, Latvia's capital, is closed to swimmers because the water is polluted by untreated effluent from local factories

## Polluted air and waters are a common challenge

# Catastrophic legacy

CLEANING up the pollution in the Baltic Sea is an issue on which there is a common concern among all the countries along its shoreline.

Northern Europe's sea and air are endangered mainly because of long-term environmental neglect displayed by industry and the public authorities in the Soviet Union, Poland and East Germany from the end of the 1940s.

The Baltic is naturally vulnerable to pollution since it is the largest brackish water basin in the world with only a slow and irregular saltwater exchange from the North Sea via the narrow, shallow straits through Denmark.

As a result its salinity is too high for most freshwater organisms but too low for the majority of salt water species.

Natural problems have been worsened by decades of inadequate sewage treatment in the eastern Baltic countries whose rivers discharge untreated human and animal effluent into the sea.

There are a number of particularly severe pollution areas. In north eastern Estonia oil shale mining has left a legacy of pollution around the towns of Kohtla-Jarva with an estimated 350m of untreated water pumped out of the mines annually.

The large scale industrial areas around St Petersburg, Upper Silesia in Poland and Ostrava in the Czech lands have also been major sources of air and water pollution.

The Gulf of Riga, once an unspoilt beauty spot, has 160m tonnes of untreated waste water pumped into it every year while Kaunas in Lithuania has no sewage purification facilities.

Poland is the worst polluter of the Baltic through the rivers Vistula and Oder.

Joint efforts to deal with the Baltic's environment started in 1974 when a general agreement was signed on protection of the marine environment.

But it was not until 1988 that the riparian states signed a convention in Helsinki committing them to halve the total effluent discharge into the sea.

Earlier this year came the launch of the Baltic Environmental Action Programme in Helsinki. This estimates it would cost Ecu18bn over the next 20 years to clean up the area.

Poland, as the worst single polluter, has 40 "hot spots" which need expenditure of at least Ecu4bn. A further Ecu30bn will be needed for feasibility studies for the highest priority projects.

"There is a plan but so far there is no money", says Mr Rune Ericsson of Greenpeace, the environmental pressure group.

Some support is expected from the European Bank for Reconstruction and Development, the Nordic Investment Bank as well as the World Bank but ordinary loans will be difficult to obtain because of the Baltic countries' poor credit rating.

There is special concern in the Baltic area about nuclear contamination from the power stations of the former Soviet Union.

Ensuring the safety of the Soviet built light-water gas cooled nuclear reactors at Sosnovy Bor just outside St Petersburg and Ingalina in Lithuania is of vital importance for the whole region.

Both these plants arouse widespread concern. In March there was a radiation leak at Sosnovy Bor; in September there was a leak at Ingalina.

Ever since the Chernobyl disaster in the Ukraine in 1986 northern Europe has been sensitive to the dangers of nuclear fall-out from the east and both Sosnovy Bor and Ingalina are Chernobyl type reactors.

During the 1980s, the anti-nuclear movement grew strongly in the Nordic countries and although Sweden has put off plans to phase out its own more secure nuclear plants by 2010, there remains considerable doubt about the long-term use of nuclear power as an energy resource in northern Europe.

This autumn members of the Finnish Parliament voted unexpectedly for a motion that ruled out any expansion in nuclear power in Finland despite the demands from Finnish industry for construction of a fifth nuclear plant. Finland is also concerned about the Russian pressurised water reactors on the Kola peninsula in the far north close to its border.

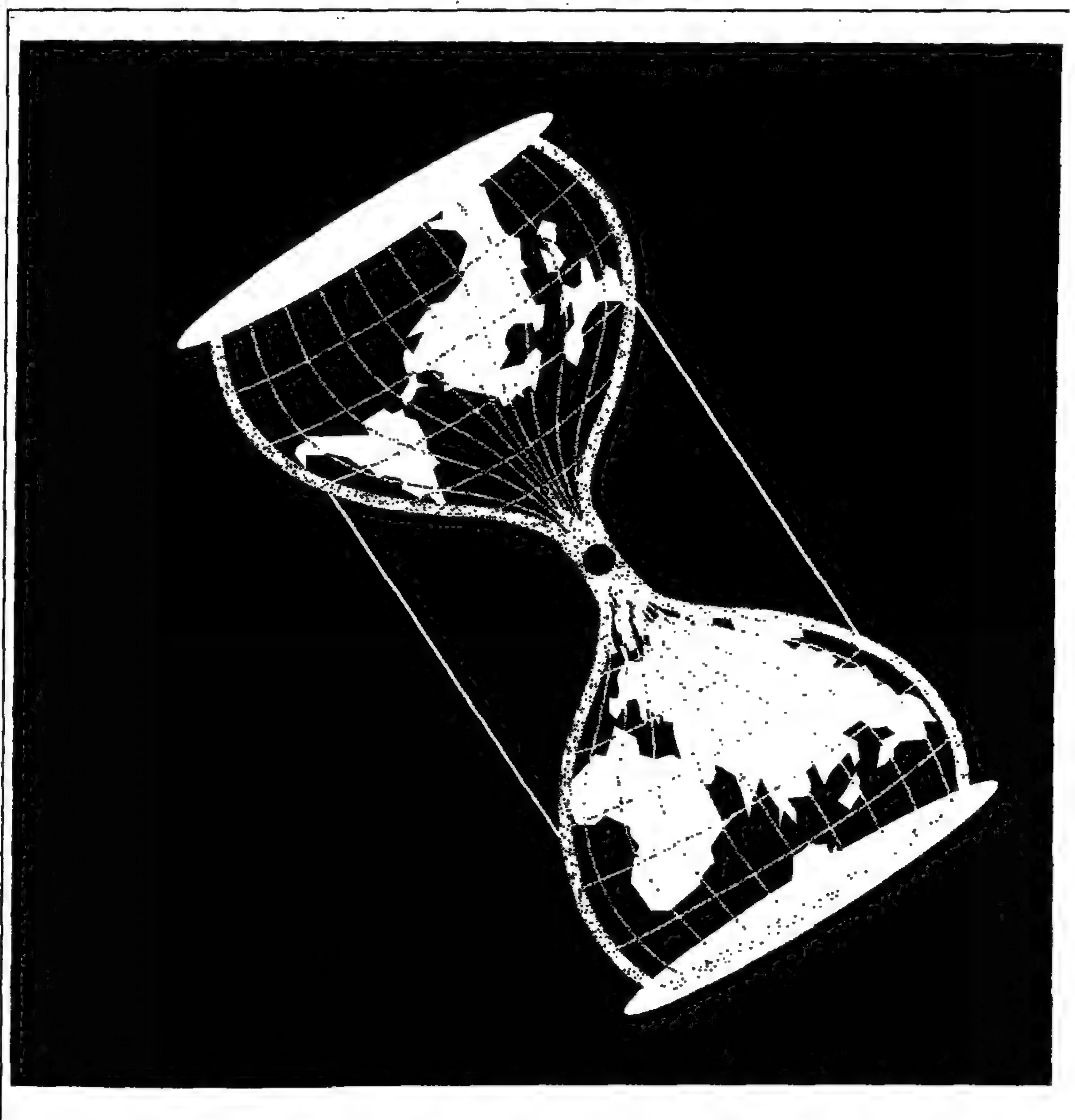
Nordic governments would like the Soviet reactors on the fringes of the Baltic to be closed as soon as possible. But that seems unlikely because of the lack of cheap sources of alternative energy in Russia and Lithuania.

A group of senior Nordic politicians called last week for the investment of SKr600m to improve the safety of Sosnovy Bor and Ingalina. But Sweden's environment minister, Mr Olof Johansson, says it will require a much wider European commitment than that of the Nordic countries to deal with a situation which could potentially threaten the whole area. Last year, the European Community earmarked about Ecu50m to improve nuclear safety in the former Soviet Union.

Moves to improve rather than shut down the eastern nuclear plants would help to provide much-needed work for western construction and maintenance companies and ensure access in the east to the more superior nuclear technology available in the market economies around the Baltic.

**Robert Taylor**





# THE BALTIC BASIN STATES 4

## Capitalist world offers a helping hand

# The money rolls in

THE ULTIMATE success of the *emerging Baltic region will* depend on how fast the former Soviet countries on its eastern shores can become market economies.

Estonia, Latvia and Lithuania are beginning to win support from international financial institutions.

Its scale does not compare with the post-war Marshall Plan, but any help is better than none.

The most important intervention comes from the Washington-based **International Monetary Fund**. This autumn the IMF approved stand-by credit arrangements for all three Baltic states. Latvia was allotted \$82m over the next 12 months to back its economic and financial reform programme drawn up under the IMF's direction.

It aims to liberalise prices and trade; to accelerate privatisation of the defunct state-owned sector; and to reduce inflation by June next year to a bearable level.

The IMF realises that this coincides with a sharp contraction of Latvia's trade with Russia and a rise in the cost of its energy and raw materials.

In Estonia the IMF is providing \$41m of stand-by credits for the next 12 months. Estonia's reform programme has been set specific targets – to limit the fall in industrial output by July 1993 to 15 per cent; slow the annual inflation rate to 6 per cent by the end of the period; and raise gross foreign reserves by mid-1993 to a level equivalent to more than two months of imports.

Estonia's adoption in July of the convertible kroon as its sole currency suggests that it stands a better chance of progress towards a free market economy than its Baltic neighbours.

Lithuania has been awarded \$82m worth of IMF stand-by credits – the decision was confirmed only days before the election of the former Communists back to power. The IMF aim in Lithuania is to reduce inflation to 2 per cent by next July and keep the fall in real GDP to about 22 per cent for the 12 month period.

The **World Bank** is also providing loans and credit guarantees to finance urgently needed *imports and technical help.* This autumn it earmarked \$30m for Estonia, with Lithuania and Latvia getting \$60m and \$45m respectively.

In Estonia \$29m will fund imports for the energy, agriculture, transport and health sectors (\$7m will cover imported drugs, vaccines and other medical goods). A large part of Latvia's loan will help assure heating and electricity this winter with the help of imported fuel oil.

Lithuania's loan will also support energy and medical services and pay for imported feed grain, protein meal, packaging and chemicals for the dairy industry.

All three World Bank loans are expected to be co-financed by the **Export-Import Bank of Japan** to an amount yet to be determined out of the total World Bank package for the Baltic. Sweden is also providing aid to Latvia and Lithuania while Finland is providing a grant to help train local experts to carry out the technical work involved in administering these loans.

A young Lithuanian shows off her country's new transitional currency

This is only the start of the World Bank's involvement in the Baltic. It will soon open an office in Riga to co-ordinate its activities in the region.

It intends to provide a safety net to ease the social pains of economic transition; build up a core of mamagement to run a market based economy; and promote medium-term investments to improve efficiency and protect the environment, particularly in the energy sector.

In October the London-based **European Bank for Reconstruction and Development** agreed to invest Ecu1.5m in the Estonian Investment Bank. This represents a third of the Estonian bank's capital.

This is the first equity investment made by the EBRD anywhere in central and eastern Europe. Similar developments can be expected in the other two Baltic states.

The EBRD has also approved a number of technical cooperation projects in the Baltic states. These are mainly concerned with preparing plans for the long-term restructuring of the energy sector.

A total of Ecu1.8m has been allocated for this purpose in Estonia with Ecu1.7m for a similar project in Lithuania and Ecu1.5m in Latvia. But consultants have to be selected for these plans.

The **European Community** itself is also involved in providing direct financial assistance. This year Estonia received Ecu10m under the Community's Phare programme to help in privatisation, private sector development and financial reform, social secutrity and gathering statistics. Supplies of wheat for making bread, barley, wheat flour and sugar have also been sold with the proceeds going into social welfare provision.

Emergency investment is also being considered. A total of Ecu43.4m would help to repair Estonia's energy supply and reduce emissions from power stations and district heating plaints, finance emergency oil import facilities and reduce demands for oil and gas. Similar programmes in *Latvia and Lithuania are to* receive Ecu37.060m and Ecu 43.100m respectively.

In March, the Nordic countries agreed to create a Baltic Investment Programme with Ecu75m to develop the private sector in the Baltic states initially over the next three years. The strategy will be monitored by a Nordic Baltic investment committee.

The Helsinki-based **Nordic Investment Bank** is also playing an active role in financing projects in the Baltic states. Last month it granted its first loan worth Ecu4.5m to Estonia to help develop small and medium-sized enterprises. The funds are being channelled through the recently established Estonian Investment Bank in Tallinn which will be responsible for the allocation of those funds.

This first Baltic Investment Loan was granted within the framework of a new Ecu30m loan facility entrusted to the NIB to administer with the Nordic countries fully guaranteeing the loans. Mr Ulf Hindstrom, the NIB's vice president, claims there is already a great deal of interest with 60 projects already in the pipeline.

The NIB has been entrusted with a Ecu5m three-year fund for technical aid to the investment banks in Estonia, Latvia and Lithuania. This will provide support for management and institutional activities

The Helsinki based **Nordic Project Fund** – established in 1982 to help Nordic private companies in international activities – is also backing studies in the Baltic countries through an Ecu5m fund for technical assistance. This fund is to be administered by the EBRD and no project must exceed FIM700,000 with conditional interest-free loans covering 60 per cent of the cost.

**Robert Taylor**

## After 300 years, Poland looks to Scandinavia again

# New openings to the north

IT HAS been more than 300 years since Poles were last forced to look hard at their neighbours on the north shore of the Baltic. That was when the Swedes, led by King Gustavus Adolphus, invaded and took control of most of Poland in the 1650s.

In between times, Poles *became accustomed to focusing* on their neighbours to the east and the west as potential threats to their country's independence. This neglect of the north is now changing – very slowly. Mr Andrzej Arendarski, Poland's foreign trade minister, recently appealed to Swedish businessmen for "a new invasion, not with arms this time but with capital investments."

Time will show if his appeal will be taken up. The three years since the fall of communism have failed to produce an explosion of either trade or inward investment from across the Baltic. Several hundred small and medium size businesses from Scandinavia have located production operations in northern Poland, but the capital involved is seldom more than a few hundred thousand dollars.

Sweden is the main partner, with about 400 Swedish owned or Swedish-Polish joint ventures, as well as some 150 Danish joint ventures and 45 from Finland. The best known Finnish partner is the Neste oil corporation. But Scania, the Swedish truck and van maker, recently opted to assemble its vehicles at Kapena, a Polish enterprise in Koszalin, close to Gdansk, and Volvo is also planning to assemble buses at the Jelcz plant, this time in southern Poland.

Scandinavian investors have not only come up against the usual bureaucratic barriers, but also against the fact that Poland's attention is still focused on the European Community and increased access to EC markets. It is Germany, Poland's neighbour to the west, which has become the country's prime trading partner. Both Italy and Holland do more business with the Poles than the Scandinavians.

Gdansk, Poland's leading shipbuilding centre, where Swedish trucks and vans are to be assembled

The absence of a strong lobby in Poland for tighter links with the Baltic region is the more surprising because contemporary Poland has hundreds of miles of Baltic coast line stretching from Swinoujscie and Szczecin in the west to Elblag near Kaliningrad in the east.

The Baltic also provides a *living for both private and* state owned fishing fleets – but rising costs of fuel and low catches have played havoc with the sector in the past three years. The closed sea has been turned into a significant ecological problem largely because Poland, which has almost 40m inhabitants, became a serious source of pollution under careless communism.

Air and water pollution emanating from Poland has wreaked havoc on Scandinavian air quality and is an important factor behind the acid rain which is affecting lakes and forests.

Part of Poland's foreign debt has been reduced on the understanding that Warsaw will change industrial practices which endanger the life and health of people on both sides of the Baltic.

In future, planned motorway and rail communications will make Poland an increasingly important transit route for Scandinavian trade. Freight and passenger sea links between Poland's Baltic ports of Gdansk, Gdynia and Szczecin and southern Sweden as well as Denmark and Finland are already in place and can easily be expanded. There is also scope for co-operation in shipbuilding, where Denmark's Burmeister and Wain already *maintains strong ties with* Polish yards such as the Paris Commune works in Gdynia.

But overall trade is still relatively small. Poland's two-way trade with Sweden last year was worth \$612m, followed by \$622m with Denmark and \$512m with Finland. Increased trade with Sweden is expected after Poland signs an agreement with the Efta countries similar to Poland's association treaty with Brussels.

The treaty with Efta also foresees a gradual reduction of tariff and other trade barriers leading to their elimination in the industrial goods sector by the end of the century. The agreement has been initialled, but some snags remain, particularly over bilateral trade in agricultural products with Finland, which has had a free trade arrangement with Poland since 1976. This has given the Finns a competitive edge which they are loath to lose.

The Finns would also gain from plans to build the Via Baltica, a highway to link Estonia, Latvia and Lithuania with Poland and points further west and south.

Studies are also almost complete on the cost of restoring a German built highway linking what is now the desolate military enclave of Kaliningrad with Elblag to the south.

These road connections *would eventually tie the* eastern baltic countries through Poland with the planned north/south European highway – and help reintegrate an area whose natural links were cut.

Away to the west, the Poles are hoping to cooperate with Swedes and with the Danish island of Bornholm to form a "Euroregion" between the Szczecin region of Poland and Germany's north eastern territories, to forge links in border areas. The Germans wanted a bilateral arrangement, but the Poles suggested that Danes and Swedes come in as a counterweight. Looking further ahead, the Poles may find that despite any strong tradition of close ties with the north they, like the three post communist Baltic states, are interested in drawing Scandinavian countries towards them to modify not only a continuing Russian influence, but united Germany's economic might as well.

**Christopher Bobinski**

## The port of Rostock recalls its historic role

# Well-placed to gain

*ROSTOCK is shaking off 50* years of central planning and staking a claim to become Germany's commercial gateway to the Baltic region.

The ancient Hansa trading city appears well-placed for the role. Rostock is strategically located midway across the German Baltic seacoast, astride the main north-south transport route between Stockholm, Copenhagen, Berlin and Prague. Much to the chagrin of local leaders, however, Rostock's reputation was badly dented last August when *young rightwing extremists* attacked asylum-seekers in the city. Most Rostockers are now ashamed of what happened, but the damage was done.

Shortly after the second world war, Rostock port was built into the then East Germany's main harbour. By 1989 it employed 6,000 people and handled 20m tons of goods. Young people from all over the country were lured to the city by relatively high wages in the harbour and adjacent shipyards. But in 1991, the first full year of German unity, cargo turnover plummeted to 6m tonnes as Rostock lost its function as an overseas port not only for East Germany but for Czechoslovakia and Hungary as well. Hamburg and Bremerhaven were far better suited to handle this international traffic. Rostock turned *to its traditional sphere of* influence, the Baltic region. New shipping terminals and ferry links to Denmark were inaugurated. More than 80 companies set up shop in the harbour area and by the end of this year the port expects to handle 10m tons of cargo. Two *hundred thousand tons of this* is military hardware being shipped back to Russia by the CIS army in east Germany.

A recent study says that Rostock harbour could regain its 1989 volume by 1996. Much will depend on the overall economic situation in Germany and the rest of Europe. A malting plant owned by a French company in the harbour area is doubling capacity to 160,000 tonnes next year and intends to export brewing barley grown in the region. A new coal-fired electric power station in Rostock is to import all *its coal through the harbour.*

Rostock harbour, employing 800 dockers plus a pool of 400 part-timers, is in fact one of the brighter economic spots in an otherwise gloomy economic picture for Mecklenburg-Vor*pommern, the most rural east* German state. Nearly 75,000 people will leave the state this year for west Germany, and only 30,000 people will settle here. Most seriously, many qualified young workers are leaving. Unemployment in Rostock and the state is nearly 14.7 per cent, but is understated by the fact that many workers have been given early retirement while others are employed in job-creation and retraining schemes.

But Mr Wiglef Pürschel, head of the economic section *of the chamber of industry and* commerce (IHK) in Rostock, sees hopeful signs in the interest being shown by southern German and Austrian companies in Rostock for trans-shipping their goods to Scandinavia. He foresees that in the longer term Rostock will play an important role in the economic future of Latvia, Lithuania and Estonia, as their shortest trade route to continental Europe runs through Rostock.

*Rostock also stands to gain* from Poland's westward economic integration, as well as from the planned east-west autobahn across east Germany to Lübeck in the west. Poland, of course, has its own nearby Baltic harbour of Szczecin (formerly Stettin, which served Berlin), which competes with Rostock. But Mr Pürschel says that Szczecin's severe infrastructure and administration problems, along with long delays for trucks at the Polish-German border, hamper the region's development. Similarly, *cross-border economic* co-operation between Mecklenburg-Vorpommern and Poland is proving difficult to implement. Decision-making in Poland remains highly centralised, and Szczecin is a long way from Warsaw. The construction industry was to have been the main engine pulling Rostock and the entire region out of its economic misery, but so far private building has been less active than expected.

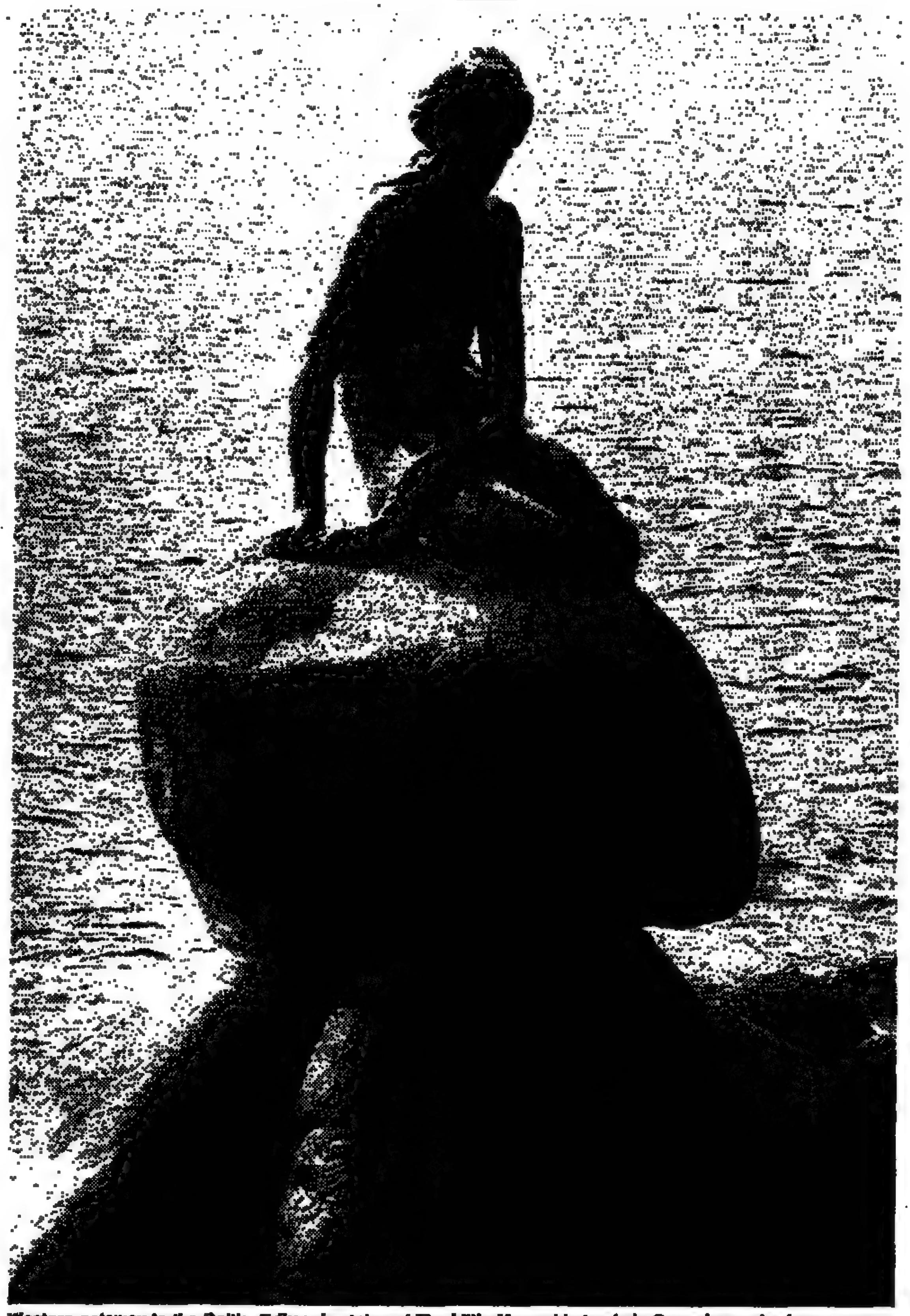
As elsewhere in east Germany, contested property claims are the main barrier, followed by administrative delays in approving building projects.

The Rostock area's main shipyard, Warnowwerft in nearby Warnemünde, was *recently sold to Kvaerner of* Norway, but the smaller Neptun yard in Rostock remains to be privatised. Only a fraction of the 58,000 people who were employed in east German shipbuilding still work in the industry today and 15 ships ordered by the former Soviet Union still remain undelivered and moored at the yards.

Predictably, Scandinavian companies have been the main foreign investors in Mecklenburg-Vorpommern. One of them, Scanbeton, subsidiary of a Swedish company, has built *four cement plants in the Ros*tock-Stralsund area at a cost of DM15m. While praising the teamwork of Swedes and Rostockers, Mr Peter Michael, the managing director, blames administrative red tape for holding up the the long-awaited building boom in Mecklenburg-Vorpommern as well as the rest of eastern Germany.

Leslie Colitt

## THE BALTIC BASIN STATES 5



Western gateway to the Baltic: Eriksen's statue of The Little Mermaid stands in Copenhagen harbour

### Denmark was an early champion of Baltic freedom from Soviet rule

# Staunch ally in coldest times

MR UFFE Ellemann-Jensen, the Danish foreign minister, stuck his neck out to help and encourage the efforts of the Baltic states to win back their independence from the Soviet Union in 1990-1991, when the issue was still very much in doubt.

His efforts generated an enormous fund of goodwill. The result is that there are now very close and intensive contacts between Denmark and the Baltic republics, at government, business and private levels. As a Swedish businessman said, "Wherever you go in the Baltic states you constantly run into Danes."

Interest in the Baltic states is not to the exclusion of activities elsewhere, however. Poland ranked as Denmark's 14th largest export market in the first nine months of this year, with trade at DKr2.2bn, slightly more than exports to countries such as Austria, Greece and Portugal and much larger than with any other East European country.

In the former East Germany, activity by Danish building firms is so high that the phrase "the yellow peril" has acquired a new meaning: it refers to the yellow licence plates on Danish commercial vehicles.

At the time when the Baltic republics were still struggling for independence, in 1990-91, Mr Ellemann-Jensen re-established contacts at government level with the Baltic countries for the first time since 1940 (Denmark never withdrew its 1921 recognition of the Baltic states as independent republics).

He ensured that they were present, unofficially, at the conferences which led to the establishment of the CSCE, and the Danish government financed the establishment in Copenhagen in December 1990 of a joint information office for the three countries.

Popular support for the Baltic peoples was manifested by a collection organised by the Copenhagen newspaper *Politiken* for the establishment of a Danish cultural centre in Riga, which was opened in early 1991. The Danish government doubled up the private collection. When, following the failed coup in Moscow in August, 1991, the Baltics were finally able to declare their independence, Denmark was the first country officially to re-establish diplomatic relations with the Baltics.

**There are now very close and intensive contacts between Denmark and the Baltic republics, at government, business and private levels. A Swedish businessman says: 'Wherever you go in the Baltic states you constantly run into Danes'**

Denmark's eager support for Baltic independence cooled relationships with the Soviet Union to a level rarely reached during the cold war years, said Mr Christian Hoppe, section head at the Ministry for Foreign Affairs in Copenhagen. But it earned Denmark a place in the hearts and minds of the Baltic peoples.

The symbolic high point of the new relationship was the visit to all three Baltic states by Queen Margrethe and her consort, Prince Henrik, accompanied by Mr Ellemann-Jensen, in August 1992. The Queen received an ecstatic welcome. Mr Ellemann-Jensen took the initiative which led to the establishment in March 1992, of the Council of the Baltic Sea States – a milestone in cooperation in the region, as it was the first meeting of all the states bordering the Baltic Sea.

Official plans to assist the redevelopment of the countries of East and Central Europe were first made in 1989, when a total of DKr820m was allocated for bilateral and international initiatives in Poland and Hungary in 1990-91. A new programme was agreed in 1991, increasing the sums involved to DKr2.1bn a year for the period 1992-94, with priority given to the Baltic states, Poland and the St Petersburg region.

The government now has nine programmes in operation for support to East Europe. They include a DKr60m "democracy fund" (which is being used to teach the Baltics how institutions are organised in a democratic state), investment funds, an investment insurance fund, project finance funds, an environmental improvement fund, and special export credit guarantees, as well as contributions to Nordic, European and international initiatives.

Denmark's position at the entrance to the Baltic is seen by the Danes as providing it with important opportunities as the former Communist countries develop.

Mr Poul Nyrup Rasmussen, leader of the Social Democratic Party, shares the enthusiasm now felt widely in Denmark about the importance of infrastructure investments in Danish ports.

The reasoning was that the sea is by far the most efficient means of transport to and from these countries, where it will take years to bring the road network up to a satisfactory standard. The port of Copenhagen, which has Denmark's only freeport, is publicising itself as "the gateway to the Baltic."

Copenhagen, the Danes point out, is the first western port of call for shipments using the Trans-Siberian railway, the western terminus of which is Tallinn, Estonia.

The enthusiasm of both official Denmark and Danish business for establishing links with the three Baltic republics has to do with other factors than goodwill.

There is a feeling that a small country such as Denmark, with a small-enterprise culture, can benefit by co-operating with other small countries, even if their markets will always remain small. But when it comes to actual investment, the big slices go to Poland and East Germany.

The government-supported Investment Fund for East and Central Europe, which puts money into joint ventures between Danish and East European companies, has 20 joint ventures up and running in Poland, four in Latvia, two in the St Petersburg region and one in Lithuania (the fund does not support investments in Germany).

Among some of the more outstanding Danish projects in the area are the development by GN Great Northern and Teledanmark, the state telecommunications group, of optical fibre cable links between Denmark and Poland and Denmark and St Petersburg, and a north-south link through Poland, which will be extended through Czechoslovakia and Hungary and a link eastwards will be designed to hook-up the Baltic republics.

The St Petersburg link will eventually cross the continent to Russia's Pacific coast, Japan and Korea.

One of the most successful joint ventures was established in Poland in 1990 by Nordisk Wavin, a plastic pipes manufacturer. The Polish company employs almost 400 people.

Dansk Olie og Naturgas, the state oil and gas group, is helping the Baltic republics with planning work for building up a natural gas distribution network.

House of Prince, a division of Skandinavisk Tobacco, has gained control of Latvia's state tobacco company, with 400 employees, and sees this is a platform for future sales expansion in the region.

Danish civil engineering consultancy firms, which have a strong international reputation, are involved in a variety of projects in east Europe.

One of the smaller consultancies, Knudsen & Sorensen, of Copenhagen, has established a strong position in the Baltic republics.

One of its most intriguing projects is a plan for redeveloping tourist facilities on the coast of Lithuania, a popular holiday resort for German and Scandinavian holidaymakers in the inter-war years.

"Thomas Mann, the author, and Hermann Goering, Hitler's henchman, used to have summer houses there," says Mr Christian Bluhme, the managing director.

**Hilary Barnes**

### Hamburg, Europe's biggest port, gets a new role

# Hopes for Hanseatic revival

IT WAS back in 1987, when local election fever was building up in the northern German *Land* of Schleswig-Holstein, that Mr Björn Engholm, leader of the Social Democrat opposition, hit on the idea of the "new Hansa."

His idea was to revive something of the great old Hanseatic trading tradition, which linked the northern German ports like Bremen, Hamburg, and Lübeck in a commercial empire stretching around the Baltic Sea.

It was not simply an idea of promoting trade, says Dr Werner Jann, director of the Schleswig-Holstein government's *Denkfabrik* (think tank) in Kiel.

Behind it lay a conviction that Schleswig-Holstein was locked into a pattern of thinking that it was on the periphery of real Europe, picking up the scraps of trade and investment from the wealthy economic crescent running from southern England, through the Benelux countries, the Ruhr and southern Germany to northern Italy.

"Mr Engholm was the one who brought these north European contacts much more into the public eye," Dr Jann says. "It was against a much broader background. He asked the question: 'What will happen when the European single market comes about?'

"There was a danger that Europe would orientate itself much more towards its rich heartland, the famous banana curve from London to Milan. What was going to happen in the north?

"Mr Engholm said we should try to define an independent identity as a region. It was no good just wringing our hands and saying: 'We are so far away.' What we needed was the inspiration of the Baltic region as a region of the future."

That was all before it became apparent that eastern Europe was going to open up both politically and economically, making the ambition of a great increase in pan-Baltic links suddenly more realistic, and more attractive.

Mr Engholm went on to win the 1988 election in Schleswig-Holstein. Today, as national leader of the SPD, he is the most likely challenger for the German chancellorship. One of his first acts in Kiel was to set up the *Denkfabrik*, with the task of putting practical flesh on the bones of his idea.

The result was a study proposing a whole range of future links in the economy, science and research, culture and the environment. "Our aim was not just to promote government-to-government contacts, but to get the whole private sector involved in greater co-operation," says Dr Jann. "We suggested that chambers of trade and industry had greater common interests, and universities."

Thus, for example, the chambers of commerce in Schleswig-Holstein and south Sweden have set up a "co-operation exchange," and the city chambers of Kiel and Gdansk, in Poland, have signed a co-operation agreement. A BaltChamber has been established to represent the entire region.

Another joint initiative came from Mr Pehr Gyllenhammar (the head of Volvo) and Mr Engholm, to set up the North European Club, a regular forum of business leaders from the region. Its aims are to investigate and promote improvements in transport and communication infrastructure, scientific collaboration, environmental management, and cultural and youth exchanges. The club is now seeking to find new business leaders from the emerging economies of eastern Europe as members – still few and far between.

In the whole exercise, Schleswig-Holstein is co-operating closely with neighbouring Hamburg, the great port which adds a whole new dimension of services to attract Scandinavian investors – whether they choose to set up in the city itself, or in the cheaper hinterland. Indeed, Hamburg itself is setting up a big East European trade centre, to exploit its new position as a link between east and west.

This summer, Mr Engholm took a trip to Gdansk, Kaliningrad and Tallinn to underline the east European side of his Baltic commitment, signing co-operation deals with each authority along the way. In Poland, for example, he signed an agreement to give Polish agricultural specialists six months training and practical experience in Germany.

In Kaliningrad, Mr Engholm promised not to allow the promised Via Baltica – the trunk road planned to run from Hamburg via Rostock and Gdansk to Tallinn and St Petersburg – to bypass the Russian enclave. The whole area, he agreed, desperately needed better communications to develop into a centre of Baltic co-operation.

As for Estonia, where co-operation is already well advanced, Schleswig-Holstein agreed to found and support a new economic academy, and both sides agreed to expand the existing freight ferry service between Kiel and Tallinn to include passengers.

Quite apart from promoting better communications for its Baltic partners, Schleswig-Holstein needs them at home.

There is an urgent need for a new link across the Elbe at Hamburg, to prevent that city from being a bottleneck instead of a facility to north-south trade. At the same time, even more grandiose plans for a fixed link across the Fehmarn Belt, cutting the travelling time between Copenhagen and Hamburg to two hours by high-speed train, are well advanced. The ambition is to have in place a privately-financed rail link, possibly with a road link as well, by the year 2008.

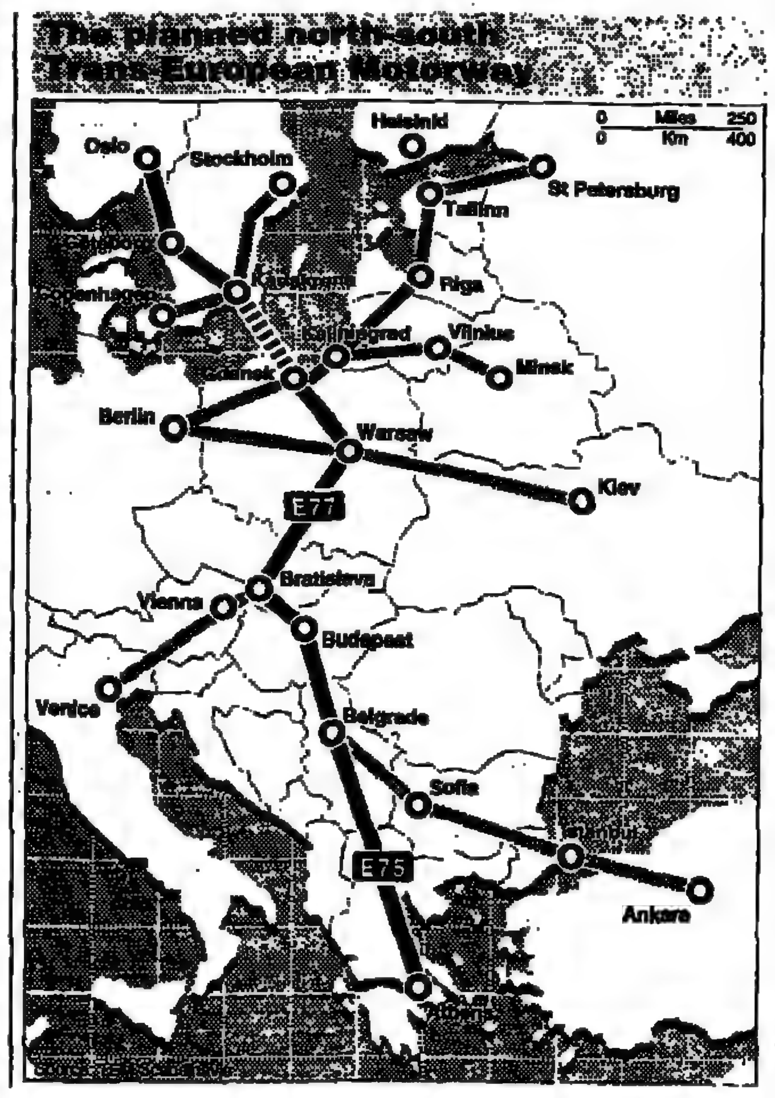
All efforts at co-operation, it must be said, have yet to show real achievement in terms of trade and investment flows. Schleswig-Holstein is less involved in regional trade than most of the other littoral states: in overall trade, just 19 per cent of the *Land's* external ties in 1990 were with other Baltic states – Finland has about 47 per cent. "All these things take time to work through," says Dr Jann. "One single big contract could change the whole picture."

Given the planned enlargement of the European Community to include Sweden, Norway and Finland, Mr Engholm and his colleagues are convinced that the position as a poor northern cousin in Germany is about to change. He no longer sees the EC internal market as a threat, but as an opportunity.

**Quentin Peel**

■ HAMBURG HARBOUR in 1754. In 1987 Mr Björn Engholm, leader of Germany's Social Democrat party, hit on the idea of the "new Hansa," to seeking to revive something of the great old Hanseatic trading tradition linking ports in a commercial empire stretching round the Baltic. Hamburg, on the river Elbe in Schleswig-Holstein, the northernmost province of western Germany, formed an alliance in the 12th century with Lübeck, on the Baltic, which led to the formation of the Hanseatic League, a powerful coalition for the promotion and protection of commerce in medieval Europe

The planned north-south Trans-European Motorway



# COMMODITIES AND AGRICULTURE

## Russian problem may hit grain prices

By Laurie Morse in Chicago

DESPITE MURMURS about possible debt rescheduling it appears that Russia's difficulties paying back its US grain loans will not be resolved before the end of the month, leaving the country ineligible for a $275m infusion of new loans the US Department of Agriculture had planned to release on January 1.

The credit problems have shut Russia, the US's second-largest customer, out of the grain market and could have grave implications for North American wheat and maize prices if they linger on after the new year. While both Russia and the USDA initially tried to put a temporary face on the problems, grain traders say there is little hope Russia will be able to come up with enough hard cash to become current on the accelerating payments.

Exporters and their bankers are looking to the Paris Club for a resolution, saying the international body could choose to include a principal payment deferral on the grain loans as part of a larger package of Russian debt rescheduling. "The rescheduling will have the effect of making them current, though no money is changing hands," says one banker familiar with Russia's US farm loans.

However, international debt negotiations are moving more slowly than expected even a month ago. Political wrangling between Mr Boris Yeltsin, the Russian president, and the Russian Parliament has made recession-weary international bankers reluctant to offer fresh financing, despite Mr Yeltsin's commitment to democracy and a free-market economy.

It now appears that Paris Club action on Russia's debt will have to wait until Russia and the International Monetary Fund have completed a full scale financing agreement. In the meantime the change in US government will prevent any unilateral policy changes before the presidential inauguration on January 20. Washington farm interests are lobbying for direct farm aid to Russia to replace the guaranteed, short-term loan programme.

As of yesterday morning, the country was $40.1m in arrears on its US-backed farm loans, with a balance of $199m due by the end of the month. It has been suspended from the loan programme since December 1. Overall, Russia owes about $4.5bn for the three-year loan programme that began in January, 1991, with nearly $2bn falling due in 1993.

Its suspension has left $81m of unused wheat credits and $30mn in pork credits sitting on the books at the USDA. The $275m in new credits was designated for a variety of commodities, including wheat and feed grains. Even worse, exporters say banks have been reluctant to pay on already-opened letters of credit from the Russian central bank, putting previous sales and scheduled shipments in jeopardy.

Russia's grain loan problems are not unique to purchases from the US. The Canadian Wheat Board has not shipped grain to Russia since early October. Mr Brian Stacey, a Wheat Board spokesman, says Russia has used its maximum of $1.5bn in revolving credit, and while it has been making payments, they have not been sufficient to cover substantial interest on the loans.

Russia represents about one fifth of Canada's export grain market, giving Canada a particular interest in resolving the country's debt problems. "The problem may be beyond Canada," says one Wheat Board official, however. "It requires a co-ordinated solution among countries."

US grain merchants are still counting on Russia as a buyer in 1993, although purchases may be delayed until late in the marketing year, distorting prices and disrupting the export "pipeline".

Mr Richard Feltes, grain analyst with Refco, says Russia has 1.5m tonnes of US maize and 800,000 tonnes of US wheat purchased and waiting to be shipped, along with 130,000 of soyameal. The country had been expected to buy 2.25m tonnes of US maize between January and August and 3m tonnes of wheat between January and May. Soyameal purchases were projected at 385,000 tonnes to the end of September.

If Russia is precluded from loading any more US grain, Mr Feltes says, the negative price effects will be felt most strongly in the wheat markets, where supply and demand have been closely in balance, and where the carryover in the US had been projected at a slim 498m bushels.

While US farmers will suffer if the Soviet grain market is limited, the loss of North American imports is not expected to generate a food crisis in Russia this winter. Russia's own harvest was near a record this year, reducing its import needs by nearly a third, and its grain buyers contracted sufficient supplies before the debt crisis to cover nearby needs, Soviet specialists say.

## Iron ore producers face price cut threat

By Bob Jones

GERMAN MILL agents have demanded a return to 1989 levels in the annual iron ore price talks that kicked off last week. The demand was made of the Brazilian miner Companhia Vale Rio Doce just before news broke of the application for creditor protection of the German steelmaker Klöckner-Werke.

The ore buyers are effectively saying they want the 1993 price of Brazil's Itabira fines grade, which has often provided the benchmark in previous iron ore "mating seasons", to fall by as much as 16 per cent from this year's level.

European steel companies have seen demand for their products fall steeply in the fourth quarter of this year - hence the recent calls for European Community intervention to restrict steel imports from eastern Europe. Many steelmakers in the EC have also announced deep cuts in their output this quarter.

But the iron ore industry can be expected to resist the calls for a big price reduction for as long as possible. The first settlement in a mating season almost always sets the trend for most of the world's seaborne trade, which last year topped 390m tonnes.

Last week also saw the opening of price talks in Tokyo between Australian miners and the Japanese mills. In the last couple of years CRA's Hamersley Iron has agreed the initial benchmark price for its fines in Japan. However, no prices were tabled by either side last week. Although Japan's steel mills have performed poorly so far this fiscal year their steel output in 1993-94 is expected to creep back over the 100m-tonne mark. Demand for iron ore in neighbouring countries such as South Korea and, especially, China is also expected to improve.

In Europe the outlook for 1993 is less rosy, as evidenced by Klöckner's troubles, and miners are concerned that this will colour price talks. Japanese buyers have little incentive to step into the talks as they know European mills are not going to withdraw their demand for a big price cut.

With the consensus seeming to be that the final settlement will involve a fines price drop of about 10 per cent tomorrow's meeting between Brazil's CVRD and the German mills will be watched even more closely than usual.

*Bob Jones is a deputy editor of Metal Bulletin magazine.*

## Aluminium users look forward to end of EC import tariff

By Kenneth Gooding, Mining Correspondent

ALUMINIUM USERS who have been campaigning long and hard for the removal of the European Community's 6 per cent tariff on imports of the metal are hoping that the barrier will at last disappear – along with those imposed by other countries on many non-ferrous metals – if the present Uruguay Round of trade liberalisation talks comes to a successful conclusion.

Any change would receive a mixed reaction in Europe where the local aluminium producers are split in opinion about the tariff, but it would be warmly welcomed by by aluminium users and fabricators.

The case for removal was expounded recently by Mr David Humphreys, an economist at the RTZ Corporation, the world's biggest mining group. He pointed out that, although Europe was the world's second-largest aluminium producer, it was now importing about a quarter of its requirements.

European intergrated aluminium producers were likely to continue to focus more on their downstream activities – particularly on packaging – and to place their new primary production capacity in those parts of the world outside Europe where low-cost energy was available, Mr Humphreys told a meeting of the Institution of Mining and Metallurgy in London.

Already Austria Metall, Hoogovens, Pechiney and VAW between them had 446,000 tonnes of annual production in Australia and Canada.

Mr Humphreys said Europe should retain a core of primary smelting operations, based on its larger, newer plants – particularly those away from population centres using hydro-electric power. It was even possible that some new capacity would be installed in Norway and Iceland, while France would retain substantial capacity, partly because of the need for Pechiney, the world's technical leader in aluminium smelting, to have a test bed for its technology.

Nevertheless, he said, the trends were leading to "an end to a Eurocentric view of primary [aluminium] supply and with it will also go the justification for a protectionist import tariff.

"Europe is now a major net importer of aluminium and the interests of its consumers and of its fabricators are best served by access to low cost raw materials."

Some European producers still argue, however, that they need the tariff because so much aluminium production elsewhere in the world is heavily subsidised, in one way or another, by governments.

They also point out they are struggling to cope with an unprecedented and sudden surge of aluminium exports from the Commonwealth of Independent States, which has caused turmoil in the market and sent prices crashing.

RTZ's Mr Humphreys warned that CIS imports increasingly looked like a structural change to western supplies, rather than a transitory phenomenon. But he suggested that, if this was the case, present attempts to block them would no longer be a rational response.

"Complaints that the displacement of clean western production by dirty CIS production is environmentally unsound, while true, ignore the underlying economic realities. Although exports from the CIS may fall as a result of production difficulties or as more metal is retained for domestic use, the CIS has an undeniable comparative advantage in energy costs," he added.

## France keeps up war against US-EC deal

By David Gardner in Brussels

FRANCE LAST night continued its attrition tactics against the European Community's subsidised food exports agreement with the US as farm ministers of the 12 met for a second day here.

But the European Commission still plans to send undertakings, known as "schedules", to the General Agreement on Tariffs and Trade in Geneva reflecting the subsidy and export volume cuts it agreed with Washington to unblock the Uruguay Round world trade reform negotiations.

France insists these schedules go beyond the cuts in May's agreement on common agricultural policy reform. But although assurances were sought that the CAP and Gatt deals were compatible, there was no backing for holding up the Geneva talks.

EC foreign ministers last week defeated French attempts to brake the momentum in Geneva, but balanced this by saying that "concrete results" would have to be achieved in the other 14 trade areas under negotiation in the Uruguay Round package. This prevented a damaging row on Gatt at last weekend's Edinburgh summit, where EC leaders endorsed the foreign ministerial formula. There is little or nothing that farm ministers can do to reverse this. The compatibility issue will be considered as part of an overall Gatt agreement, ministers agreed last night, despite French opposition.

But France, which yesterday raised tricky questions on Gatt compatibility, also announced that its attrition tactics would continue. "This is but the first of the analyses the French delegation will present," said Mr Jean-Pierre Soisson, France's farm minister.

The current UK presidency of the farm council and the European Commission were expected last night to circulate a complex compromise on a range of outstanding issues. Settlement on some of them could dim opposition to the Gatt deal. They include:

- Introduction of tariffs on Central American bananas above a fixed quota, in line with Gatt requirements, but at a very high level to protect EC and Caribbean producers.
- Maintenance for a limited period of "switchover" protection for farmers against currency fluctuations.
- Phasing out of transitional protective measures agreed for Portugal and Spain when they entered the EC in 1986.
- Higher payments to small French beef and durum wheat producers.
- Raising Italy's milk quota.

## Bolivia tries again on mine ventures

By Chris Philipsborn in La Paz

BOLIVIA'S STATE mining corporation, Comibol, has for the second time opened tenders for Bolivar, a mine producing silver, tin, lead and zinc. The move marks an attempt by the government to reinstate joint venture deals between Comibol and private companies, following their recent suspension.

Three companies – Jordex Resources, Comsur and Breakwater Resources, recently taken over by Aritmeco of the US – have made bids for the mine, the value of which may be published tomorrow. Evaluation of the bids by the United Nations Development Programme will be completed within one month. Comsur's bid in the first round, which was rejected, was $25m and a planned 1,000-tonnes-a-day treatment plant.

Meanwhile, joint venture contracts remain in the limbo to which they were condemned by the government in October, following union pressure and claims by parliamentarians that they were illegal. However, the government has taken the first step towards their reinstatement by attempting to rectify the legal position. Amendments to the original contracts proposed by the mining ministry have already been accepted by Cominesa, one of the two big companies involved, along with Brazil's Paranapanema.

According to Mr Charles Bruce, executive vice president of Mintec, a Bolivian mining consultancy, Cominesa will attempt to enter the Tasna mine "early next year".

Nevertheless, significant problems remain, not least the union opposition. The government will have to tackle the unions head on early next year – a general election is due on June 6 – if the joint ventures are to go ahead in 1993.

## Germans treat alcohol in the wrong spirit

By David Blackwell

THE GERMAN alcohol monopoly flies in the face of the European single market and must end, according to the Alcohol Free Trade Association. The two-year-old association, which represents two-thirds of European Community alcohol production, expects the European Commission to publish its regulations in the next couple of weeks. It is hoping for a so-called light regime, similar to that announced last month for potatoes.

The AFTA has already complained to the commission that the 70-year-old German monopoly's pricing policy amounts to an abuse of a dominant position and is contrary to the Treaty of Rome. "Thousands of wealthy land owners operate their own distilleries and enjoy the privilege of selling their produce to the State at artificially high prices," the association said.

German subsidies have reached DM343m (£140m) on the production of 100m litres of alcohol a year – the same amount that two modern distilleries can produce in the Netherlands at a cost of about DM1 a litre, said Mr Max Jansen, AFTA president. The market price is about DM1.10.

"In Germany this is a cottage industry. Alcohol production is just an addition to the farm," said Mr Jansen. Germany should consider providing direct aid to its farmers rather than encouraging unprofitable production and surpluses.

EC alcohol production (excluding wine alcohol) is about 1.4bn litres, with 60 per cent derived from agricultural production and 40 per cent from oil-based ethylene. About one-third of production is used by the drinks industry for gin, vodka and liqueurs. Most of the remainder goes to the cosmetics, perfume, pharmaceuticals and ink industries.

## MINOR METALS PRICES

Prices from Metal Bulletin (last week's in brackets).

**ANTIMONY:** European free market 99.6 per cent, $ per tonne, in warehouse, 1,635-1,700 (1,650-1,710).

**BISMUTH:** European free market, min. 99.99 per cent, $ per lb, tonne lots in warehouse, 2.25-2.45 (same).

**CADMIUM:** European free market, min. 99.5 per cent, $ per lb, in warehouse, 0.45-0.55 (same).

**COBALT:** European free market, 99.5 per cent, $ per lb, in warehouse, 15.50-16.20 (15.60-16.60).

**MERCURY:** European free market, min. 99.99 per cent, $ per 76 lb flask, in warehouse, 120-140 (same).

**MOLYBDENUM:** European free market, drummed molybdic oxide, $ per lb Mo, in warehouse, 1.85-1.95 (same).

**SELENIUM:** European free market, min 99.5 per cent, $ per lb, in warehouse, 4.80-5.50.

**TUNGSTEN ORE:** European free market, standard min. 65 per cent, $ per tonne unit (10 kg) $WO_3$, cif, 40-50 (same).

**VANADIUM:** European free market, min. 98 per cent, $ a lb $V_2O_5$, cif, 1.75-1.85 (same).

**URANIUM:** Nuexco exchange value, $ per lb, $U_3O_8$, 7.90 (same).

LME WAREHOUSE STOCKS (As at Monday's close) tonnes

| | | |
|---|---|---|
| Aluminium | +8,375 | to 1,502,150 |
| Copper | −875 | to 331,975 |
| Lead | +3,725 | to 209,425 |
| Nickel | +822 | to 67,098 |
| Zinc | +7,800 | to 438,775 |
| Tin | unchgd | at 14,680 |

# WORLD COMMODITIES PRICES

## MARKET REPORT

BASE METAL prices generally edged off their lows in the afternoon at the London Metal Exchange and most markets closed steadier. An exception was **TIN**, which closed at $5,745 a tonne for delivery in three months, down $90 on the day. Dealers blamed that on early liquidation sales but added that selling pressure slackened as *the day wore on and prices* steadied a little in after-hours trading. **COPPER** prices moved up in the afternoon but still ended slightly lower on the day. Dealers said the market had proved unable to break through resistance at the equivalent of $2,200 a tonne. **ZINC** prices matched the trend in copper with cash metal closing unchanged on the day. Resistance was likely beyond $1,070 a tonne for three months metal, $3 50 above yesterday's close, traders thought. The **NICKEL** market was quiet with the three months price ending $25 down at $5,827.50 a tonne following an initial mark-down on another increase in LME warehouse stocks.

**Compiled from Reuters**

## London Markets

SPOT MARKETS

| Crude oil (per barrel FOB)(Jan) | | + or - |
|---|---|---|
| Dubai | $15.90-5.95u | -.050 |
| Brent Blend (dated) | $17.80-7.85u | -.250 |
| Brent Blend (Jan) | $17.90-8.00 | -.075 |
| *W.T.I (1 pm est)* | *$19.15-9.20u* | |

Oil products (NWE prompt delivery per tonne CIF)

| | | + or - |
|---|---|---|
| Premium Gasoline | $188-190 | |
| Gas Oil ♦ | $175-176 | -2.0 |
| Heavy Fuel Oil | $71-73 | +1.0 |
| Naphtha | $176-177 | +1.5 |
| *Petroleum Argus Estimates* | | |

| Other | | + or - |
|---|---|---|
| Gold (per troy oz)♣ | $335.05 | |
| Silver (per troy oz)♣ | 371.50c | -1 |
| Platinum (per troy oz) | $363.15 | -1.5 |
| Palladium (per troy oz) | $111.25 | -2.25 |
| Copper (US Producer) | 103c | |
| Lead (US Producer) | 34.625c | |
| *Tin (Kuala Lumpur market)* | 14.35r | -0.2 |
| Tin (New York) | 284.5c | -3 |
| Zinc (US Prime Western) | 62.0c | |
| Cattle (live weight)† | 113.29p | -1.82* |
| Sheep (live weight)†♣ | 79.68 | -0.06* |
| Pigs (live weight)† | 84.90p | -1.64* |
| London daily sugar (raw) | $212w | -2.2 |
| London daily sugar (white) | 246.5w | -0.7 |
| Tate and Lyle export price | £244.0 | -2 |
| Barley (English feed) | 107.0x | |
| Maize (US No 3 yellow) | £155.0 | |
| Wheat (US Dark Northern) | Unq | |
| Rubber (Jan)♥ | 63.00p | |
| Rubber (Feb)♥ | 63.25p | |
| Rubber (KL RSS No 1 Jan) | 227.0m | |
| Coconut oil (Philippines)§ | $450y | +7.5 |
| Palm Oil (Malaysian)§ | $367.5u | +2.5 |
| Copra (Philippines)§ | $287.5 | |
| Soyabeans (US) | £170.5 | |
| Cotton "A" Index | 54.40c | |
| Wooltops (64s Super) | 402p | |

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. y-Jan/Feb. u-Feb. v-Aug. w-Dec/Jan. z-Jan/Mar. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg. ♣Sheep prices are now live weight prices. ♦ Gas Oil Price for 3/12/1992 174-175 down 2

SUGAR – London FOX ($ per tonne)

| Raw | Close | Previous | High/Low |
|---|---|---|---|
| Mar | 183.60 | | 186.00 182.70 |
| May | 187.00 | 190.00 | 188.00 188.50 |

| White | Close | Previous | High/Low |
|---|---|---|---|
| Mar | 245.90 | 248.00 | 249.50 245.60 |
| May | 248.80 | 251.20 | 251.90 248.70 |
| Aug | 254.60 | 257.20 | 256.90 254.70 |
| Oct | 242.30 | 244.00 | 243.40 241.70 |
| Dec | 245.60 | | 245.00 245.00 |
| Mar | 248.30 | | 249.50 [illegible] |

Turnover: Raw 56 (7) lots of 50 tonnes. White 758 (194) Paris- White (FFr per tonne): Mar 1341.01 May 1371.80

CRUDE OIL IPE ($/barrel)

| | Latest | Previous | High/Low |
|---|---|---|---|
| Jan | 17.91 | 18.02 | 17.99 17.87 |
| Feb | 17.95 | 18.02 | 18.01 17.90 |
| Mar | 18.00 | 18.02 | 18.04 17.95 |
| Apr | 18.05 | 18.08 | 18.05 17.94 |
| May | 18.02 | 18.12 | 18.02 18.01 |
| Jun | 18.01 | 18.05 | 18.02 17.98 |
| Jul | 18.01 | 18.02 | 18.05 18.01 |
| Aug | 18.00 | 18.02 | 18.06 |
| IPE Index | 18.04 | 18.38 | 18.04 |

Turnover 33295 (40251)

GAS OIL IPE ($/tonne)

| | Close | Previous | High/Low |
|---|---|---|---|
| Jan | 170.25 | 171.50 | [illegible] |
| Feb | 171.00 | 172.25 | [illegible] |
| Mar | 170.50 | 171.00 | [illegible] |
| Apr | 167.75 | 167.75 | [illegible] |
| May | 166.25 | 166.50 | [illegible] |
| Jun | [illegible] | [illegible] | [illegible] |
| Jul | [illegible] | [illegible] | [illegible] |

Turnover [illegible]

COCOA London FOX (£/tonne)

| | Close | Previous | High/Low |
|---|---|---|---|
| Dec | 653 | 651 | 650 647 |
| Mar | 690 | 676 | 681 671 |
| May | 697 | 693 | 698 689 |
| Jul | 712 | 706 | 711 705 |
| Sep | 727 | 723 | 725 719 |
| Dec | 750 | 745 | 748 742 |
| Mar | 770 | 766 | 765 762 |
| May | 786 | 781 | 780 |
| Sep | 817 | 812 | 810 |

Turnover 1841 (2272) lots of 10 tonnes. ICCO indicator prices (SDRs per tonne). Daily price for Dec 15 731.48 (739.16) 10 day average for Dec 14 761.39 (765.14)

COFFEE – London FOX ($/tonne)

| | Close | Previous | High/Low |
|---|---|---|---|
| Jan | 1005 | 1016 | 1017 1000 |
| Mar | 1026 | 1039 | 1040 1018 |
| May | 1008 | 1015 | 1012 1000 |
| Jul | 1004 | 1010 | 1009 996 |
| Sep | 1010 | 1017 | 1012 1006 |
| Nov | 1016 | 1027 | 1020 1012 |

Turnover 3956 (4265) lots of 5 tonnes. ICO indicator prices (US cents per pound) for Dec 14 Comp. daily 64.37 (64.40) 15 day average 61.52 (61.14)

POTATOES – London FOX (£/tonne)

| | Close | Previous | High/Low |
|---|---|---|---|
| Apr | 63.0 | 63.0 | 62.2 61.6 |

Turnover 16 (14) lots of 20 tonnes.

SOYAMEAL – London FOX (£/tonne)

| | Close | Previous | High/Low |
|---|---|---|---|
| Feb | 152.00 | | |

Turnover 0 (25) lots of 20 tonnes

FREIGHT – London FOX ($10/index point)

| | Close | Previous | High/Low |
|---|---|---|---|
| Jan | 1304 | 1280 | 1304 1290 |
| Feb | 1270 | 1260 | 1270 |
| Apr | 1255 | 1245 | 1265 1260 |
| Jul | 1130 | | 1130 1125 |
| Oct | 1105 | | 1105 |
| BFI | 1365 | 1360 | |

Turnover 242 (83)

GRAINS – London FOX (£/tonne)

| Wheat | Close | Previous | High/Low |
|---|---|---|---|
| Jan | 135.70 | 134.50 | 135.70 134.50 |
| Mar | 137.00 | 136.15 | 137.00 136.20 |
| May | 139.00 | 138.25 | 139.00 138.60 |
| Sep | 107.15 | 107.00 | 107.15 |
| Nov | 110.00 | 109.25 | 110.00 109.50 |
| Jan | 113.50 | 112.50 | 113.50 113.25 |

| Barley | Close | Previous | High/Low |
|---|---|---|---|
| Jan | 131.50 | 130.90 | 131.50 131.00 |
| Mar | 133.75 | 133.30 | 133.75 133.60 |
| Nov | 110.50 | 108.75 | 110.50 110.00 |

Turnover: Wheat 386 (107), Barley 185 (119). Turnover lots of 100 Tonnes.

COTTON

Spot and shipment sales for the week ended 11 December amounted to [illegible] tonnes [illegible]

JUTE

[illegible]

PIGS – London FOX (Cash Settlement) p/kg

| | Close | Previous | High/Low |
|---|---|---|---|
| Feb | 99.0 | 99.0 | 98.0 |
| Mar | 101.0 | 99.0 | 100.0 |

Turnover 4 (2) lots of 3,250 kg.

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

| | Close | Previous | High/Low | AM Official | Kerb close | Open interest |
|---|---|---|---|---|---|---|
| **Aluminium, 99.7% purity ($ per tonne)** | | | | | Total daily turnover 39,662 lots | |
| Cash | 1201-2 | 1195.5-6.5 | 1199.5/1198.5 | 1198.5-1200 | | |
| 3 months | 1224.5-5.0 | 1219-20 | 1224.5/1215 | 1222.5-3.0 | 1223-4 | 185,068 lots |
| **Copper, Grade A (£ per tonne)** | | | | | Total daily turnover 42,574 lots | |
| Cash | 1397.5-8.5 | 1400.5-1.5 | 1401.5/1400.5 | 1400.5-1.0 | | |
| 3 months | 1425-6 | 1428-9 | 1435/1425 | 1428.5-9.0 | 1429-30 | 150,292 lots |
| **Lead (£ per tonne)** | | | | | Total daily turnover 5,061 lots | |
| Cash | [illegible] | [illegible] | [illegible] | [illegible] | | |
| 3 months | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| **Nickel ($ per tonne)** | | | | | Total daily turnover 12,232 lots | |
| Cash | [illegible] | [illegible] | [illegible] | [illegible] | | |
| 3 months | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | 41,032 lots |
| **Tin ($ per tonne)** | | | | | Total daily turnover 3,337 lots | |
| Cash | [illegible] | [illegible] | | [illegible] | | |
| 3 months | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | 9,629 lots |
| **Zinc, Special High Grade ($ per tonne)** | | | | | Total daily turnover 33,347 lots | |
| Cash | 1047-8 | 1047-8 | 1044.5/1044.5 | 1044-5 | | |
| 3 months | [illegible] | [illegible] | [illegible] | [illegible] | 1070-2 | 71,462 lots |

LME Closing £/$ rate: SPOT: 1.5680 3 months: 1.5547 6 months: 1.5442 9 months: 1.5367

LONDON BULLION MARKET (Prices supplied by N M Rothschild)

| Gold (troy oz) | $ price | £ equivalent |
|---|---|---|
| Close | 334.80-335.20 | |
| Opening | 334.50-334.90 | |
| Morning fix | 334.70 | 213.836 |
| Afternoon fix | 334.90 | 213.611 |
| Day's high | 335.00-335.30 | |
| Day's low | 334.30-334.70 | |

Loco Ldn Mean Gold Lending Rates (Vs US$)

| | | | |
|---|---|---|---|
| 1 month | 1.65 | 6 months | 2.12 |
| 2 months | 1.67 | 12 months | 2.51 |
| 3 months | 1.57 | | |

| Silver fix | p/troy oz | US cts equiv |
|---|---|---|
| Spot | 237.00 | 371.50 |
| 3 months | 241.30 | 375.95 |
| 6 months | 246.45 | 379.35 |
| 12 months | 255.85 | 387.10 |

| GOLD COINS | $ price | £ equivalent |
|---|---|---|
| Krugerrand | 335.0-338.00 | 214.00-216.00 |
| Maple leaf | 344.65-346.90 | |
| New Sovereign | 78.00-81.00 | 50.00-52.00 |

TRADED OPTIONS

[illegible]

HEATING OIL 42,000 US galls, cents/US galls

| | Latest | Previous | High/Low | |
|---|---|---|---|---|
| Jan | 5390 | 5418 | 5435 | 5360 |
| Feb | 5480 | 5514 | 5525 | 5455 |
| Mar | 5500 | 5531 | 5540 | 5460 |
| Apr | 5425 | 5451 | 5455 | 5420 |
| May | 5335 | 5363 | 5380 | 5345 |
| Jun | [illegible] | [illegible] | [illegible] | [illegible] |
| Jul | [illegible] | [illegible] | [illegible] | [illegible] |
| Aug | [illegible] | [illegible] | [illegible] | [illegible] |
| Sep | [illegible] | [illegible] | [illegible] | [illegible] |
| Oct | [illegible] | [illegible] | [illegible] | [illegible] |

COCOA 10 tonnes; $/tonnes

[illegible]

COFFEE "C" 37,500lbs; cents/lbs

[illegible]

SUGAR WORLD "11" 112,000 lbs; cents/lbs

[illegible]

COTTON 50,000; cents/lbs

[illegible]

ORANGE JUICE 15,000 lbs; cents/lbs

[illegible]

## New York

GOLD 100 troy oz.; $/troy oz.

[illegible]

PLATINUM 50 troy oz; $/troy oz.

[illegible]

SILVER 5,000 troy oz; cents/troy oz.

[illegible]

HIGH GRADE COPPER 25,000 lbs; cents/lbs

[illegible]

CRUDE OIL (Light) 42,000 US galls $/barrel

[illegible]

INDICES

REUTERS (Base: September 18 1931 = 100)

[illegible]

DOW JONES (Base: Dec. 31 1974 = 100)

[illegible]

## Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Jan | 570/6 | 571/4 | 571/6 | 569/2 |
| Mar | 574/6 | 575/4 | 573/6 | 573/2 |
| May | 580/2 | 580/4 | 580/6 | 578/4 |
| Jul | [illegible] | [illegible] | [illegible] | [illegible] |
| Aug | [illegible] | [illegible] | [illegible] | [illegible] |
| Sep | [illegible] | [illegible] | [illegible] | [illegible] |
| Nov | [illegible] | [illegible] | [illegible] | [illegible] |
| Jan | [illegible] | [illegible] | [illegible] | [illegible] |

SOYABEAN OIL 60,000 lbs; cents/lb

[illegible]

SOYABEAN MEAL 100 tons; $/ton

[illegible]

MAIZE 5,000 bu min; cents/56lb bushel

[illegible]

WHEAT 5,000 bu min; cents/60lb-bushel

[illegible]

LIVE CATTLE 40,000 lbs; cents/lbs

[illegible]

LIVE HOGS 40,000 lb; cents/lbs

[illegible]

PORK BELLIES 40,000 lbs; cents/lb

[illegible]

## LONDON STOCK EXCHANGE

# Second line issues take the lead again

By Terry Byland, UK Stock Market Editor

THE TAIL wagged the dog to some effect in the UK stock market yesterday, when buoyant demand for stocks in the FT-SE Mid 250 Index helped the blue chip shares withstand a bout of nervousness ahead of the expiry on Friday of the current futures contract on the FT-SE 100.

Investors were clearly unsure at first whether the stock market had run its course for this year, and early trading saw the Footsie down 11 points to 2,710.4; some London-based houses remain convinced that 2,700 will prove to be the year-end reading.

But solid demand for the second line issues kept the FT-SE Mid 250 Index firm throughout to show a gain on the day of 12.5. The FT-SE 100 rallied, in spite of some distaste for a gloomy distributive trades' survey from the Confederation of British Industry (CBI) and news of a sharp rise in UK manufacturing input prices last month. At mid-session the index edged into positive territory, showing a 1.5 net gain.

The final reading put the FT-SE Index at 2,717.9 for a loss on the day of 3.9 points. Traders regarded this as a creditable performance, since London's late recovery was restrained a little by an early decline of 10.54 Dow points on Wall Street following a gloomy statement from IBM.

The erratic performance in the Footsie largely reflected hurried switching between the blue chips and the Footsie December futures contract as the big investment houses strove to balance positions ahead of Friday's stock index futures expiry.

These technical factors helped to boost the day's Seaq volume total to 549.9m shares from the 438.4m of the previous session. But low retail, or customer, business on Monday, worth only £846.8m, appeared to confirm that the big investment institutions are already winding down for the year.

The CBI survey, indicating that retailers expect this December's sales to be little better than last year's, mildly discouraged the stores sector, where analysts hope for a rebound in the Christmas sales which provide the bulk of the year's profits at the big national retail and store chains.

But market analysts did find the CBI report entirely convincing and preferred to wait for the official November retail statistics, which are due today. Falls in retail stocks were mostly held to a few pence and there was no pressure elsewhere in the market.

The very modest increase in UK manufacturing production in October was virtually in line with expectations and a similar rise in November output prices was also found acceptable. But the increase of 2.4 per cent in producer input prices was received more nervously because of the underlying fear that sterling's devaluation could reignite inflationary pressures.

At County NatWest, Mr Bob Semple commented that the input price news might prove "a cautionary note for the future", counterbalancing the widely expected fall in headline inflation numbers as mortgage cuts continue to take effect.

Equity strategists suggested that the underlying tone of the stock market appeared firm enough and that share prices were likely to close the year in good shape, once the stock index futures expiry is safely out of the way.

### TRADING VOLUME IN MAJOR STOCKS

| | Volume 000's | Closing Price | Day's change |
|---|---|---|---|
| ADT | 4 | 475 | -3 |
| ASDA Group | 15,800 | 54½ | -½ |
| Abbey National | 2,700 | 355 | |
| Albert Fisher | 1,800 | 54 | +1 |
| Allied-Lyons | 1,200 | 600 | +1 |
| Amstrad | 6,400 | 25 | +1 |
| Anglian Water | 677 | 482 | +6 |
| Argos | 2,300 | 264 | -3 |
| Argyll Group | 1,500 | 387 | |
| Arjo Wiggins | 9,280 | 132 | -9 |
| Ass. Brit. Foods | 211 | 468 | -2 |
| [illegible] | | | |
| British Airways | 1,900 | 274 | -8 |
| British Gas | 7,900 | 272 | +½ |
| British Land | 241 | 175 | +1 |
| British Steel | 8,700 | 55¼ | |
| Bunzl | 631 | 110 | +2 |
| Burmah Castrol | 1,000 | 693 | +15 |
| Burton | 12,000 | 65¾ | +4½ |
| Cable & Wire. | 2,300 | 679 | +12 |
| Cadbury Schweppes | 2,700 | 441 | -11 |
| Calor Group | 42 | 218 | +1 |
| Carlton Comms. | 1,300 | 714 | +6 |
| Coats Viyella | 3,000 | 205 | -7 |
| Comm. Union | 97 | 581 | -3 |
| Cookson | 2,600 | 182 | -3 |
| Courtaulds | 550 | 550 | -6 |
| Dalgety | 966 | 468 | |
| De La Rue | 205 | 855 | +5 |
| Eastern Elect. | 1,800 | 391 | -5 |
| East Midland Elect. | 753 | 405 | -1 |
| Eng China Clays | 3,200 | 400 | -15 |
| Enterprise Oil | 673 | 430 | +5 |
| Eurotunnel | 1,300 | 325 | -11 |
| [illegible] | | | |
| Inchcape | 1,100 | 498 | +3 |
| Kingfisher | 1,500 | 552 | -8 |
| Kwik Save | 124 | 779 | -2 |
| Ladbroke | 8,100 | 174 | +5 |
| Land Securities | 729 | 426 | +6 |
| Laporte | 187 | 610 | +1 |
| Legal & General | 1,100 | 414 | -8 |
| Lloyds Abbey | 371 | 375 | -1 |
| Lloyds Bank | 1,500 | 500 | |
| LASMO | 3,400 | 137 | -3 |
| London Elect. | 970 | 405 | -6 |
| Lonrho | 843 | 72 | -1 |
| Lucas | 1,500 | 123 | -2 |
| MB Caradon | 1,600 | 256 | -2 |
| MEPC | 781 | 305 | -3 |
| Manweb | 445 | 458 | -3 |
| Marks & Spencer | 7,700 | 310½ | -6½ |
| Midlands Elect. | 625 | 442 | -2 |
| NFC | 713 | 257 | +7 |
| NatWest Bank | 2,100 | 397 | +3 |
| National Power | 1,200 | 289 | -2½ |
| Next | 1,800 | 136½ | +½ |
| North West Water | 1,400 | 475 | +4 |
| [illegible] | | | |
| Rothmans | 700 | 625 | -10 |
| Ryl Bk Scotland | 4,200 | 192 | +2 |
| Royal Insurance | 2,700 | 275 | +1 |
| Saatchi | 180 | 155 | -2 |
| Sainsbury | 1,000 | 536 | +1 |
| Scottish & New. | 437 | 442 | +5 |
| Scot. Hydro-Elect. | 1,600 | 248½ | -4½ |
| Scottish Power | 1,400 | 229 | -5 |
| Sears | 782 | 97 | -1 |
| Sedgwick | 2,800 | 162 | +3 |
| Seeboard | 541 | 432 | +3 |
| Severn Trent Water | 745 | 455 | +4 |
| Shell Transport | 1,200 | 544 | -2 |
| Siebe | 1,200 | 404 | +5 |
| Slough Ests | 387 | 140 | -1 |
| Smith (W.H.) A | 327 | 490 | +4 |
| Smith & Nephew | 4,100 | 183½ | +7 |
| SmKl Beecham | 3,200 | 604½ | -5½ |
| SmKl Beecham Uts. | 2,000 | [illegible] | -8 |
| Smiths Inds. | 277 | 348 | -1 |
| Southern Elect. | 1,200 | 418 | -2 |
| South Wales Elect. | 31,000 | 473 | -8 |
| South West Water | 504 | 493 | +7 |
| South West. Elect. | 244 | 426 | -4 |
| [illegible] | | | |
| Utd. Newspapers | 1,100 | 501 | -1 |
| Vodafone | 2,100 | 417 | +8 |
| Warburg (SG) | 902 | 500 | +2 |
| Wellcome | 1,000 | 1021 | -3 |
| Welsh Water | 391 | 529 | +16 |
| Wessex Water | 224 | 576 | +9 |
| Whitbread 'A' | 578 | 456 | +3 |
| Williams Hldgs. | 2,200 | 312 | +2 |
| Willis Corroon | 3,400 | 190 | +5 |
| Wimpey | 222 | 99 | |
| Wolseley | 1,000 | 521 | +11 |
| Yorkshire Elect. | 649 | 462 | |
| Yorkshire Water | 426 | 520 | +10 |

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down.

### Account Dealing Dates

| | | |
|---|---|---|
| *First Dealings: | | |
| Nov 30 | Dec 14 | Jan 4 |
| Option Declarations: | | |
| Dec 10 | Dec 30 | Jan 14 |
| Last Dealings: | | |
| Dec 11 | Dec 31 | Jan 15 |
| Account Day: | | |
| Dec 21 | Jan 11 | Jan 25 |

*New time dealings may take place from 8.30am two business days earlier.

# Tate deal hinted

HINTS that Tate & Lyle was negotiating with PepsiCo over new sweetener contracts sent Tate's shares forward smartly late in yesterday's trading session. Analysts said Tate had confirmed yesterday that it is supplying PepsiCo, although it had refused to give any detail on the new arrangements.

Some observers speculated that, with the intense price war in the sweetener market continuing, any new contract prices would probably have been tightly squeezed, and that volume levels could be affected by the recession and the poor US summer.

However, others said that Tate, which has been making a spate of presentations, had declared itself confident of maintaining sweetener volume levels this year. The shares, steady for most of the session, ended 5½ up at 397½p.

## Cadbury views

Cadbury-Schweppes shares were attracting widely differing views yesterday as County NatWest downgraded the group and moved it to its sell list, while Smith New Court opted to change from seller to buyer. The food manufacturer has been hosting a number of presentations recently, a factor which has undermined the shares as some brokers have been said to have found little to be enthusiatic about.

After seeing the group yesterday, County moved from a buy to a sell, slimming its earnings per share figure for this year and trimming its profits estimate for next year by £4m to £382m. The house blamed continuing weakness in the European soft drinks market.

UBS Phillips & Drew was also said to be selling the stock yesterday. However, Smith said it had heard nothing from Cadbury to change its view that the shares were "within 5 per cent of a good buy", particularly for long-term funds. The stock fell 11 to 442p.

## Water placing

The placing of Welsh Water's 14.9 per cent stake in South Wales Electricity, with the former taking a £17m profit on its investment, was the trigger for a steep rise in Welsh Water shares. South Wales Electricity stock, on the other hand, fell sharply as lingering hopes disappeared that the 15 per cent stake could have been used as a platform for a takeover bid.

The stake, comprising 15.1m shares, was placed jointly by County NatWest and Cazenove, via a series of agency crosses executed at 460p a share.

Welsh Water acquired the bulk of its shareholding during the first few trading sessions following privatisation of the regional electricity companies in December 1990, adding the rest early in the following year. The water company hoped to forge links with its fellow Welsh utility with a view to cost savings but was rebuffed.

South Wales Electricity slipped 8 to 473p on 31m traded, while Welsh Water closed 16 higher at 529p, albeit after extremely thin turnover of 391,000 shares.

Rumours abounded in Hillsdown as the shares advanced, closing 10 in front at 122p. One version had the food group warding off a bid, another that a company would make a statement today on recent volatility in the shares. Neither story found much credibility with analysts, who suggested that rumours often circulated ahead of Hillsdown's closed period.

The world's biggest mining group, RTZ, fell 18 to 623p after a profits forecast downgrade by Smith New Court.

Smith cut its profits estimate for 1993 by between £40m to £50m from £490m and its earnings per share prediction by 4p to 45p.

The implications of a meeting hosted by Swedish pharmaceutical group Astra hit Glaxo and the shares closed a net 19 lower at 791p. Astra presented data which suggested that the use of its drug Losec, combined with an anti-biotic, had managed to wipe out ulcers in trial patients for at least 20 months. Analysts said it was too early to argue that Glaxo's anti-ulcer drug Zantac, which accounts for half of the group profits, would be badly affected.

Wellcome receded 3 to 1021p in spite of a confident annual statement.

Grim news from Petrofina and Total continued to overshadow the oil sector, but BP managed a small midsession rise before easing back to close unchanged at 224p after reports that it may have made an oil discovery west of the Shetland Islands.

The rumoured discovery would be the second in the area since Amerada Hess about a year ago. Lack of official confirmation of the find was attributed to the 14th oil licensing round due to take place next year.

BZW's buy recommendation continued to drive Burmah Castrol shares higher, with the stock closing a further 15 up at 693p on 1.1m traded. BZW cited Burmah's ability to achieve 5 per cent per annum real earnings per share growth and its strong cash flow. "The shares deserve a premium rating and we see fair value at 750p to 800p," said BZW's oil team.

Shares in Channel tunnel operator Eurotunnel were hit early in the session and were down 17 at 323p, the day's worst, after TML, the tunnel's constructor, said talks about cost overruns had once again broken down.

Bargain hunting and reports from the company that an arbitration ruling on the dispute may be possible in the second half of next year helped the stock recover some of the ground lost. The shares closed a net 11 off at 329p after trade of 1.3m shares.

Vodafone ran up 8 to 417p after the Arena GSM consortium, led by Vodafone, won the third licence to operate a mobile phone network in Australia.

The 17 per cent rise in profits at Sanderson Electronics had been discounted and the shares dropped sharply to close 46 off at 226p. Profit-taking was also evident in Electronic Data, which retreated 35 to 475p.

Recent high-flyer Tadpole Technology recorded another see-saw session. The shares, which were placed at only 65p two weeks ago and spiralled upwards to touch 240p early on Monday before coming under persistent selling pressure, fell a further 13 to 166p yesterday.

Electronic component issues were strongly supported amid hints of a couple of broker buy recommendations, Diploma surging 17 to 382p and Electrocomponents 11 to 364p.

Another profits downgrading, this time from County NatWest, depressed English China Clays, leaving the shares to close 15 lighter at 400p.

Gestetner hardened a penny to 150p, with Inchcape, 3 firmer at 498p, once again mentioned as a bidder for the office and photographic equipment distributor.

In motors and engineers, Kwik-Fit moved 5 ahead to 101p, as speculation that retail group Kingfisher would soon launch a bid for the motor repair company returned. Siebe appreciated 5 to 404p, a closing five-year high. Also wanted were Charter Consolidated and GKN. The former moved forward 18 to 570p, while GKN gained 4 to 433p.

Talk that a buyer was sniffing around Hammerson sent the 'A' shares forward 23 to 277p, although analysts were generally dismissive.

Franco-British paper group Arjo Wiggins Appleton continued to attract profits forecast downgrades. Yesterday it was S.G. Warburg which hit the shares by turning seller, moving its 1993 estimate to well below the market consensus and cutting back its dividend estimate. The house believes Arjo will make £125m next year. The shares fell 9 to 132p.

Specialist printing group Wace plunged 25 to 52p after announcing a profits warning and £37m write-down. Hoare Govett cut to a loss of £34m for 1992 against a previous profits forecast of £15m. For 1993, the house came down by £8m to a profits estimate of £11m.

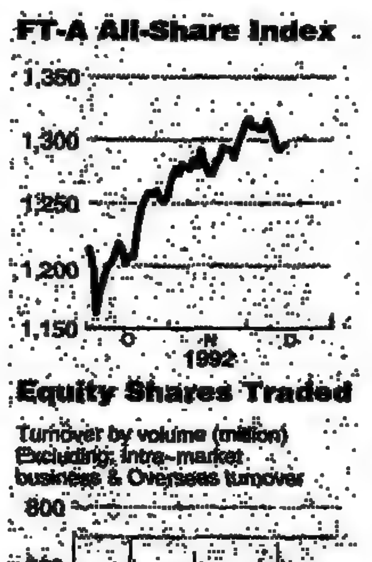
Queens Moat Houses retreated 2¼ to 37p after one of its joint brokers, BZW, reduced its forecasts.

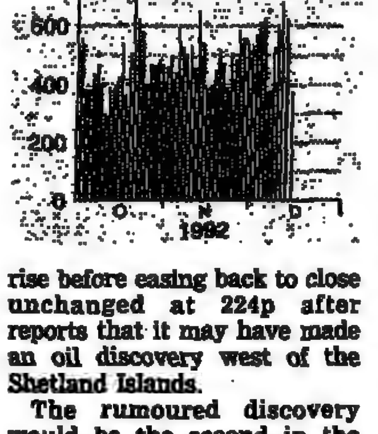
The stores stocks were depressed, the CBI survey doing the damage to sentiment. Burton stood out, up 4½ to 65¾p with 12m traded, as talk of poor trading was considered overdone.

A squeeze helped P & O jump 17 to 476p. A shortage of stock was also reported in Associated British Ports, where the shares closed 18 up at 348p.

**MARKET REPORTERS:**
Peter John, Joel Kibazo, Christopher Price, Steve Thompson.

■ Other market statistics, Page 20




## NEW HIGHS AND LOWS FOR 1992

NEW HIGHS (64).
AMERICANS (4) Bell Atlantic, Bowater Inc., Lowe's, Varity, BUILDING MATERIALS (1) Wolseley, BUSINESS SERVICES (2) ISS-INTL. Serv. B, Serco, CONTRACTING & CONSTRUCTION (1) Sheriff, ELECTRICALS (2) Denmans, Jones Stroud, ELECTRICITY (1) Scot. Power, ELECTRONICS (7) Diploma, Electrocomps., Farnell, Micro Focus, Misys, Sage, Tunstall, ENGINEERING GENERAL (3) Carclo, Halma, Siebe, FOOD MANUFACTURING (2) Nestle (Br), Do (Reg), HEALTH & HOUSEHOLD (1) UniChem, INSURANCE COMPOSITE (1) Royal, INSURANCE LIFE (2) Britannic, Refuge, INVESTMENT TRUSTS (12) Abtrust Prtd. Zero Pf., Drayton Blue Chip, EFM Inc. Zero Pf., Flmg. Emrg Mkts., Flmg. Inc. & Cap. Zero Pf., Gartmore Scot. Zero Pf., Jupiter Euro. Zero Pf., M & G Inc. Zero Pf., Majedie Invs., River Plate Zero Pf., Scot. Natl. Zero Pf., TR Tech. Stppd. Pf., MEDIA (7) CIA, City of Lon., EMAP, Flextech, News Intl., Telegraph, Watmoughs, METAL & METAL FORMING (1) Tinsley (E), MISCELLANEOUS (2) Birkby, Depla, OIL & GAS (2) Burmah, Shell 7pc Pf., OTHER FINANCIAL (2) Caledonia, Cattle's, OTHER INDUSTRIAL MATERIALS (1) Charter Cons., PACKAGING, PAPER & PRINTING (3) Bowater, Dorling Kindersley, Ferguson Intl., PROPERTY (2) Slough 8pc Cv. '03, Waterglade, STORES (2) Burton, GUS, TEXTILES (1) Dewhirst, TRANSPORT (1) Tibbett & Britten, WATER (1) East Surrey.
NEW LOWS (30).
BUILDING MATERIALS (1) Needler, BUSINESS SERVICES (3) SNB Res., Comac, Lep, CONGLOMERATES (2) Goode Durrant, Reeca, HEALTH & HOUSEHOLD (1) Crown Eyeglass, HOTELS & LEISURE (2) Farringford, Zetters, INVESTMENT TRUSTS (2) German Smlr. Co's Wts., Lon. & Strathclyde, MEDIA (4) Birkdale, Chiltern Radio, TV-am, Yorks. Tyne-Tees, MISCELLANEOUS (1) Pittard Garnar, MOTORS (2) ERF, Volkswagen, OIL & GAS (2) Lasmo Ops., Oceonics, PACKAGING, PAPER & PRINTING (2) Sappi, Wace, STORES (1) Colorvision, TEXTILES (1) Campari, TRANSPORT (1) TIP Europe, MINES (5) Anglo Amer. Coal, Deelkraal, Durban Deep, Hartebeest, Leverdia West.

### FINANCIAL TIMES EQUITY INDICES

| | Dec 15 | Dec 14 | Dec 11 | Dec 10 | Dec 9 | Year ago | High | Low |
|---|---|---|---|---|---|---|---|---|
| Ordinary share | 2067.3 | 2067.2 | 2062.8 | 2064.2 | 2074.8 | 1846.2 | 2149.7 | 1670.0 |
| Ord. div. yield | 4.49 | 4.49 | 4.48 | 4.46 | 4.45 | 4.98 | 5.34 | 4.24 |
| Earning yld % full | 6.17 | 6.17 | 6.16 | 6.15 | 6.11 | 7.50 | - | - |
| P/E ratio net | 20.74 | 20.74 | 20.78 | 20.81 | 20.93 | 16.75 | 21.21 | 15.79 |
| P/E ratio nil | 19.10 | 19.10 | 19.13 | 19.16 | 19.27 | 15.86 | - | - |
| Gold Mines | 84.7 | 85.5 | 85.7 | 86.4 | 87.6 | 147.5 | 180.6 | 63.0 |

*for 1992 Ordinary share index since compilation: high 2149.7 [illegible] - low 49.4 26/6/40
Gold Mines Index since compilation high: 734.7 15/2/83 - low 43.5 26/10/71
Basis Ordinary share 1/7/35; Gold Mines 12/9/55.

Ordinary Share hourly changes

| Open | 9.00 | 10.00 | 11.00 | 12.00 | 13.00 | 14.00 | 15.00 | 16.00 | High | Low |
|---|---|---|---|---|---|---|---|---|---|---|
| 2065.3 | 2063.5 | 2063.5 | 2071.3 | 2074.5 | 2072.3 | 2068.8 | 2068.9 | 2067.5 | 2075.2 | 2060.7 |

| Volume | Dec 15 | Dec 14 | Dec 11 | Dec 10 | Dec 9 | Year ago |
|---|---|---|---|---|---|---|
| SEAQ Bargains | 22,003 | 24,244 | 29,526 | 25,679 | 24,392 | 21,511 |
| Equity Turnover(£m)† | - | 846.8 | 1406.4 | 1453.1 | 1278.4 | 1012.6 |
| Equity Bargains† | - | 28,202 | 33,982 | 29,799 | 28,105 | 20,562 |
| Shares traded (mil)† | - | 387.0 | 621.8 | 683.2 | 609.5 | 520.2 |

† Excluding intra-market business and overseas turnover.

London report and latest Share Index
Tel. 0891 123001. Calls charged at 36p/minute cheap rate, 48p at all other times.

## FT-SE Actuaries Share Indices — THE UK SERIES

FT-SE 100 2717.9 -3.9 | FT-SE MID 250 2680.4 +12.5 | FT-A ALL-SHARE 1295.90 +0.02

| | Dec 15 | Dec 14 | Dec 11 | Dec 10 | Dec 9 | Year ago | 1992 High | 1992 Low | Since compilation High | Since compilation Low |
|---|---|---|---|---|---|---|---|---|---|---|
| FT-SE 100 | 2717.9 | 2721.8 | 2716.2 | 2726.5 | 2750.7 | 2432.9 | 2792.0 | 2281.0 | 2792.0 | 986.9 |
| FT-SE Mid 250 | 2680.4 | 2667.9 | 2662.0 | 2665.6 | 2672.5 | 2355.6 | 2825.8 | 2157.8 | 2825.8 | 1379.4 |
| FT-SE-A 350 | 1320.5 | 1320.8 | 1318.0 | 1322.4 | 1332.4 | 1177.4 | 1345.5 | 1103.1 | 1345.5 | 664.5 |

| Hourly | Open | 9.00 | 10.00 | 11.00 | 12.00 | 13.00 | 14.00 | 15.00 | 16.10 | High/day | Low/day |
|---|---|---|---|---|---|---|---|---|---|---|---|
| FT-SE 100 | 2717.7 | 2712.7 | 2713.5 | 2720.7 | 2723.2 | 2721.9 | 2717.4 | 2717.6 | 2717.0 | 2723.3 | 2710.4 |
| FT-SE Mid 250 | 2670.0 | 2668.7 | 2670.6 | 2675.0 | 2678.6 | 2679.5 | 2670.2 | 2679.1 | 2679.1 | 2680.4 | 2668.2 |
| FT-SE-A 350 | 1319.4 | 1317.3 | 1317.8 | 1321.1 | 1322.4 | 1322.0 | 1322.0 | 1320.3 | 1320.0 | 1322.4 | 1316.5 |

Gross dividend yield (ACT at 25%) FT-SE 100 4.50%

### FT-Actuaries All-Share

| EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section) | Index No. | Day's Change % | Est. Earnings Yield% (Max.) | Gross Div. Yield% (Act at (25%)) | Est. P/E Ratio (Net) | xd adj. 1992 to date | Mon Dec 14 Index No. | Fri Dec 11 Index No. | Thu Dec 10 Index No. | Year ago (approx) Index No. |
|---|---|---|---|---|---|---|---|---|---|---|
| 1 CAPITAL GOODS (175) | 803.97 | +0.1 | 7.03 | 5.34 | 18.55 | 31.00 | 802.85 | 802.48 | 802.53 | 732.77 |
| 2 Building Materials (23) | 801.66 | +0.4 | 6.35 | 6.73 | 22.48 | 40.59 | 798.83 | 806.05 | 799.87 | 864.28 |
| 3 Contracting, Construction (26) | 447.87 | - | 4.28 | 7.65 | 63.08 | 37.49 | 448.03 | 446.14 | 446.25 | 875.10 |
| 4 Electricals (9) | 2336.20 | +2.1 | 7.19 | 6.47 | 18.18 | 109.61 | 2287.97 | 2293.64 | 2237.73 | 2345.31 |
| 5 Electronics (28) | 2205.40 | +1.4 | 6.97 | 3.91 | 18.21 | 52.39 | 2175.68 | 2179.49 | 2177.91 | 1676.06 |
| 6 Engineering-Aerospace (6) | 269.59 | - | 13.14 | 8.72 | 9.69 | 16.18 | 269.65 | 266.92 | 263.98 | 322.93 |
| 7 Engineering-General (43) | 467.42 | +0.4 | 8.62 | 5.04 | 14.81 | 17.35 | 465.43 | 465.27 | 466.96 | 458.04 |
| 8 Metals and Metal Forming (7) | 297.08 | -0.1 | 5.72 | 4.34 | 25.52 | 9.49 | 296.89 | 299.65 | 297.17 | 297.19 |
| 9 Motors (15) | 346.66 | -0.1 | 5.87 | 6.79 | 24.86 | 17.77 | 346.94 | 347.34 | 348.35 | 290.37 |
| 10 Other Industrial Materials (18) | 1851.30 | -0.7 | 5.74 | 4.53 | 17.92 | 62.07 | 1864.84 | 1856.37 | 1866.96 | 1466.21 |
| 21 CONSUMER GROUP (191) | 1695.26 | -0.4 | 6.88 | 3.45 | 18.06 | 43.25 | 1701.60 | 1700.34 | 1701.42 | 1551.40 |
| 22 Brewers and Distillers (25) | 1987.79 | -0.9 | 8.36 | 3.81 | 14.48 | 52.23 | 1970.84 | 1970.03 | 1963.27 | 1910.11 |
| 25 Food Manufacturing (19) | 1274.65 | -0.2 | 8.26 | 4.20 | 15.13 | 40.47 | 1276.49 | 1274.50 | 1277.65 | 1207.24 |
| 26 Food Retailing (18) | 3143.02 | -0.3 | 8.20 | 2.99 | 15.88 | 70.26 | 3151.13 | 3121.45 | 3148.66 | 2364.96 |
| 27 Health and Household (26) | 4270.24 | -1.5 | 5.21 | 2.65 | 22.32 | 88.04 | 4333.70 | 4349.96 | 4341.70 | 4187.08 |
| 29 Hotels and Leisure (18) | 1199.42 | +0.7 | 6.97 | 5.74 | 18.85 | 46.03 | 1191.66 | 1195.79 | 1190.94 | 1194.45 |
| 30 Media (25) | 1749.03 | +0.3 | 5.69 | 2.96 | 21.90 | 39.40 | 1743.07 | 1745.62 | 1748.36 | 1334.60 |
| 31 Packaging, Paper & Printing (17) | 747.12 | -1.0 | 6.99 | 4.36 | 17.74 | 24.33 | 754.29 | 751.75 | 752.27 | 723.57 |
| 34 Stores (33) | 1104.63 | -0.2 | 6.60 | 3.29 | 20.07 | 26.56 | 1112.68 | 1108.28 | 1111.40 | 988.86 |
| 35 Textiles (10) | 692.61 | -1.1 | 6.86 | 4.40 | 18.37 | 23.64 | 700.60 | 700.40 | 705.82 | 588.40 |
| 40 OTHER GROUPS (116) | 1376.81 | +0.4 | 9.07 | 5.06 | 13.70 | 50.62 | 1371.97 | 1369.17 | 1381.36 | 1171.67 |
| 41 Business Services (17) | 1418.11 | +0.6 | 6.25 | 3.59 | 19.58 | 36.28 | 1409.74 | 1389.85 | 1393.31 | 1330.43 |
| 42 Chemicals (22) | 1367.11 | -0.3 | 6.68 | 5.36 | 18.93 | 54.80 | 1370.94 | 1372.80 | 1383.59 | 1368.61 |
| 43 Conglomerates (10) | 1298.86 | -1.0 | 10.06 | 9.12 | 12.32 | 54.22 | 1311.36 | 1316.44 | 1335.93 | 1289.03 |
| 44 Transport (14) | 2636.16 | +0.8 | 8.51 | 4.52 | 14.12 | 88.31 | 2614.62 | 2599.86 | 2615.87 | 2271.22 |
| 45 Electricity (16) | 1479.93 | -0.9 | 14.53 | 5.10 | 8.85 | 56.57 | 1492.92 | 1488.25 | 1512.45 | 1208.14 |
| 46 Telephone Networks (4) | 1613.65 | +1.0 | 8.76 | 4.24 | 15.74 | 65.69 | 1598.35 | 1602.54 | 1615.17 | 1371.10 |
| 47 Water (11) | 3232.72 | +1.5 | 14.10 | 5.46 | 7.88 | 122.00 | 3184.12 | 3157.37 | 3162.05 | 2240.85 |
| 48 Miscellaneous (22) | 2417.71 | +0.8 | 5.87 | 4.19 | 21.04 | 61.03 | 2397.77 | 2385.25 | 2405.23 | 1709.37 |
| 49 INDUSTRIAL GROUP (482) | 1370.65 | - | 7.63 | 4.30 | 16.41 | 42.91 | 1371.30 | 1369.76 | 1374.22 | 1224.08 |
| 51 Oil & Gas (18) | 2110.87 | - | 6.32 | 6.14 | 20.78 | 103.27 | 2111.28 | 2096.03 | 2100.74 | 2211.34 |
| 59 500 SHARE INDEX (500) | 1441.22 | - | 7.50 | 4.49 | 16.77 | 47.72 | 1441.86 | 1439.35 | 1443.89 | 1310.38 |
| 61 FINANCIAL GROUP (82) | 838.51 | +0.3 | - | 5.23 | - | 33.35 | 836.40 | 832.86 | 836.28 | 703.82 |
| 62 Banks (9) | 1149.03 | +0.2 | 5.35 | 4.85 | 28.00 | 41.81 | 1146.87 | 1138.71 | 1141.19 | 839.03 |
| 65 Insurance (Life) (6) | 1694.20 | - | - | 5.37 | - | 68.18 | 1694.98 | 1689.73 | 1725.34 | 1398.95 |
| 66 Insurance (Composite) (7) | 606.49 | -0.1 | - | 4.97 | - | 22.58 | 607.13 | 607.79 | 611.97 | 489.75 |
| 67 Insurance (Brokers) (10) | 738.00 | +1.4 | 8.43 | 7.23 | 15.94 | 48.05 | 727.79 | 725.30 | 706.06 | 976.98 |
| 68 Merchant Banks (6) | 464.31 | +0.2 | - | 4.93 | - | 16.75 | 463.62 | 462.22 | 463.82 | 453.99 |
| 69 Property (30) | 608.81 | +1.1 | 8.92 | 9.93 | 14.69 | 33.09 | 602.01 | 605.55 | 603.95 | 805.39 |
| 70 Other Financial (14) | 275.67 | +0.6 | 7.27 | 6.08 | 18.10 | 11.63 | 274.01 | 273.81 | 273.54 | 230.70 |
| 71 Investment Trusts (69) | 1266.66 | +0.2 | - | 3.42 | - | 32.11 | 1264.48 | 1259.67 | 1264.67 | 1139.59 |
| 99 ALL-SHARE INDEX (651) | 1295.90 | - | - | 4.56 | - | 43.73 | 1295.88 | 1293.13 | 1297.40 | 1165.56 |

### FT-SE Actuaries 350 Industry Baskets

| Hourly | Open | 9.00 | 10.00 | 11.00 | 12.00 | 13.00 | 14.00 | 15.00 | 16.10 | Close | Previous close | change |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Construction | 1277.5 | 1275.9 | 1279.2 | 1279.7 | 1281.7 | 1283.3 | 1283.6 | 1283.8 | 1284.1 | 1284.1 | 1286.8 | -2.7 |
| Health&H | 1302.8 | 1296.9 | 1295.7 | 1297.3 | 1295.7 | 1294.0 | 1290.2 | 1289.3 | 1290.3 | 1292.0 | 1311.5 | -19.5 |
| Water | 1328.0 | 1328.9 | 1329.4 | 1334.7 | 1336.4 | 1336.9 | 1336.8 | 1335.2 | 1336.8 | 1336.8 | 1316.5 | +20.3 |
| Banks | 1393.3 | 1391.7 | 1398.2 | 1398.4 | 1399.4 | 1399.6 | 1397.7 | 1398.8 | 1395.7 | 1396.1 | 1393.5 | +2.6 |

Additional information on the FT-SE Actuaries Share Indices is published in Saturday issues. Lists of constituents are available from The Financial Times Limited, One Southwark Bridge, London SE1 9HL. The FT-SE Actuaries Share Indices Service, which covers a range of electronic and paper-based products relating to these indices, is available from FINSTAT at the same address. The FT-SE 100, the FT-SE Mid 250 and the FT-SE Actuaries 350 indices are compiled by the London Stock Exchange and the FT-Actuaries All-Share Index is compiled by The Financial Times Limited, both in conjunction with the Institute of Actuaries and the Faculty of Actuaries under a standard set of ground rules. © The International Stock Exchange of the United Kingdom and Republic of Ireland Limited 1992. © The Financial Times Limited 1992. All rights reserved. "FT-SE" and "Footsie" are joint trade marks of the London Stock Exchange and The Financial Times Limited.
CONSTITUENT CHANGES: ADDITION: National Express (44); DELETION: TV-am (30)

## LONDON SHARE SERVICE

### BRITISH FUNDS

| Notes | Price £ | + or - | 1992 high | 1992 low | Yield Int. |
|---|---|---|---|---|---|
| "Shorts" (Lives up to Five Years) | | | | | |
| Treas 8¼pc 1993 | 100⅛ | — | 100⅞ | 97⅞ | 8.23 |
| 10pc 1993‡‡ | 101 | -⅛ | 101⅞ | 99¼ | 9.90 |
| 12½pc 1993‡‡ | 103⅛ | -⅛ | 104⅞ | 100⅞ | 12.10 |
| Funding 6pc 1993‡‡ | 98⅞ | -⅛ | 100 | 95⅞ | 8.82 |
| Treas 13¾pc 1993‡‡ | 106⅛ | — | 107⅞ | 103⅞ | 12.92 |
| 8¼pc 1994 | 101⅞ | -⅛ | 102⅞ | 98¾ | 8.34 |
| 14½pc 1994‡‡ | 109⅛ | — | 110⅞ | 104⅞ | 13.30 |
| Exch 13½pc 1994 | 108⅝ | — | 110⅞ | 103⅞ | 12.43 |
| Treas. 10pc Ln. 1994‡‡ | 104⅞ | -⅛ | 105⅞ | 98⅞ | 9.58 |
| Exch 12½pc 1994 | 108⅞ | -⅛ | 110⅞ | 103⅞ | 11.51 |
| Treas 9pc 1994‡‡ | 103⅞ | -⅛ | 104⅞ | 96⅞ | 8.68 |
| 12pc 1995 | 108⅞ | | 111⅞ | 102⅞ | 10.97 |
| Exch 3pc Gas 90–95 | 94⅞ | | 95¼ | 88¼ | 3.18 |
| 10¼pc 1995 | 107½xd | +⅛ | 109¼ | 99⅞ | 9.54 |
| Treas 12¾pc 1995‡‡ | 114½ | -⅛ | 116½ | 106¼ | 11.14 |
| 14pc 1996 | 117⅞ | -⅛ | 119⅞ | 109⅞ | 11.88 |
| 9pc 1992–96‡‡ | 100¼ | -⅛ | 104½ | 96⅞ | 8.96 |
| 15¼pc 1996‡‡ | 122⅛ | -⅛ | 125¼ | 113⅞ | 12.42 |
| Exch 13¼pc 1996‡‡ | 117 | -⅛ | 119⅞ | 108 | 11.32 |
| Conversion 10pc 1996 | 109⅞ | -⅛ | 110⅞ | 98⅞ | 9.19 |
| Treas 13¼pc 1997‡‡ | 119⅛ | -⅛ | 121⅞ | 109⅞ | 11.11 |
| Exch 10½pc 1997 | 110⅞ | -⅛ | 112⅞ | 100⅞ | 9.50 |
| Treas 8¾pc 1997‡‡ | 105⅛ | -⅛ | 107½ | 94 | 8.31 |
| 8¾pc '97 ‡‡(£50 pd) | 53⅞ | -⅛ | 55½ | 50 | 8.32 |
| Five to Fifteen Years | | | | | |
| Exch 15pc 1997 | 128⅝ | -⅛ | 131⅞ | 117⅞ | 11.88 |
| 9¾pc 1998 | 109¼xd | — | 111⅞ | 97⅞ | 8.93 |
| Treas 7¼pc 1998 (£25 pd) | 25⅛ | -⅛ | 27⅛ | 24⅞ | 7.28 |
| Treas 6¾pc 1995–98‡‡ | 96⅞ | -⅛ | 99⅞ | 88⅞ | 8.96 |
| 15½pc '98‡‡ | 134⅞ | -⅛ | 137⅞ | 123⅞ | 11.55 |
| Exch 12pc 1998 | 118⅞ | -⅛ | 121⅛ | 107⅞ | 10.12 |
| Treas 9½pc 1999‡‡ | 108⅞ | -⅛ | 111⅞ | 97⅞ | 8.77 |
| Exch 12¼pc 1999 | 120⅛ | -⅛ | 123⅞ | 109⅛ | 10.19 |
| Treas 10½pc 1999 | 113⅛ | -⅛ | 116⅞ | 101⅞ | 9.28 |
| Conversion 10¼pc 1999 | 112½ | -⅛ | 115⅞ | 100⅞ | 9.11 |
| 9pc 2000‡‡ | 105⅞ | -⅛ | 109¼ | 94¼ | 8.59 |
| Treas 13pc 2000 | 126⅞ | -⅛ | 128⅞ | 114⅞ | 10.34 |
| 10pc 2001 | 110⅝ | -⅛ | 113⅞ | 99⅞ | 9.09 |

BRITISH FUNDS - Cont. [illegible]

BRITISH FUNDS - Cont. [illegible]

OTHER FIXED INTEREST [illegible]

Continued on next page

## COMPANY NOTICES

BRADFORD & BINGLEY

£200,000,000 Floating Rate Notes due 1995

In accordance with the terms and conditions of the Notes, the interest rate for the period 16th December, 1992 to 16th March, 1993 has been fixed at 7.3384% per annum. The interest payable on 16th March, 1993 against the Coupon 7 will be £180.89 per £10,000 nominal.

Agent Bank
ROYAL BANK OF CANADA

To the Holders of Restructured Obligations Backed by Senior Assets, B.V.

Pursuant to the Indenture dated May 1, 1990, as amended and restated as of June 15, 1990, between the Issuer and State Street Bank and Trust Company, as Trustee, notice is hereby given that for the Interest Accrual Period December 10, 1992 through March 9, 1993, the rates applicable to the Secured Senior Floating Rate Notes and Secured Senior Subordinated Floating Rate Notes are 3.9675 and 4.4375% respectively.



## FUTURES AND OPTIONS TRADING

STRONG two-way business in stock options led to a rise in turnover in the traded options market, reversing the recent dull performance of the sector, writes Joel Kibazo.

Total volume in the traded options reached 40,297 contracts, a significant jump from Monday's poor 16,634 lots. Trading in the FT-SE 100 option, however, was poor with a mere 6,762 lots dealt against 7,283 on Monday. The Euro FTSE option saw 3,005 contracts traded.

It was the stock options that generated the majority of the day's volume. Amstrad led the league table with business amounting to 9,654 contracts by the close. Most of the day's activity was centred on the June 93 calls and puts.

This was followed by Asda, in which 5,005 lots were transacted. Dealers spoke of a buyer of the April 60 calls and a seller of the April 50 puts. Tesco was also active, business reaching 2,728 lots, as was Grand Metropolitan on 2,025.

In stock index futures, trading in the December contract on the FT-SE was said to have been featureless. Having opened at 2,720, it retreated to the day's low of 2,713 at 9.30am before recovering to attain the day's high of 2,730 at around 11.30am. It finished at 2,721, off 10 from the previous close but at a four-point premium to the underlying cash market. Volume in the December contract came to 7,638 lots, and in the March contract it reached 3,786.

# LONDON SHARE SERVICE

## AMERICANS

## CANADIANS

## BANKS

## BREWERS & DISTILLERS

## BUILDING MATERIALS

## BUILDING MATERIALS - Cont.

## BUSINESS SERVICES

## CHEMICALS

## CONGLOMERATES

## CONTRACTING & CONSTRUCTION

## ELECTRICALS

## ELECTRICITY

## ELECTRONICS

## ENGINEERING-AEROSPACE

## ENGINEERING-GENERAL

## ENGINEERING-GENERAL - Cont.

## FOOD MANUFACTURING

## FOOD RETAILING

## HEALTH & HOUSEHOLD

## HOTELS & LEISURE

## HOTELS & LEISURE - Cont.

## INSURANCE BROKERS

## INSURANCE COMPOSITE

## INSURANCE LIFE

## INVESTMENT TRUSTS

## INVESTMENT TRUSTS - Cont.

## INVESTMENT TRUSTS - Cont.

Net asset values supplied by County NatWest Wood Mackenzie as a guide only. See guide to London Share Service.

## INVESTMENT COMPANIES

Net asset values supplied by County NatWest Wood Mackenzie as a guide only. See guide to London Share Service.

## MEDIA

## MERCHANT BANKS

## METALS & METAL FORMING

## MISCELLANEOUS

## MOTORS

## OIL & GAS

## OIL & GAS - Cont.

## OTHER FINANCIAL

## OTHER INDUSTRIALS

## PACKAGING, PAPER & PRINTING

## PACKAGING, PAPER & PRINTING - Cont.

## PROPERTY

## STORES

## TELEPHONE NETWORKS

## TEXTILES

## TRANSPORT

## WATER

## SOUTH AFRICANS

## PLANTATIONS

## MINES

## MINES - Cont.

## GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ).
- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♦ Figures or report awaited
- ♦ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ Free annual/interim report available, see details below.

payment. † Indicated dividend yield, p/e ratio based on latest annual earnings. u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings. prospectus or other official estimates for 1992-93. L Estimated annualised yield, p/e based on latest annual earnings. M Yield based on prospectus or other. Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1200 a year for each security shown, subject to the Editor's discretion.

## FT Annual Reports Service

You can obtain the current annual/interim report of any company annotated with ♣. Ring +44 81-643 7181 (open 24 hours including weekends) or fax +44 81-770 0544, quoting the code FT8833. Reports will be sent the next working day, subject to availability. Please remember to state the weekly changing code above.

## FT Cityline

Real time share prices and other stock market information is available through the FT Cityline International telephone service.

Annual subscription £250.00 stg.

Call +44 71-925 2128 for more details.

# FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available from FT Cityline. For further details call (071) 925 2128.

## AUTHORISED UNIT TRUSTS

### AIB Unit Trust Managers Limited (1000)F
51 Belmont Rd Uxbridge, Middx UB8 1RZ 0895 259783

| | Init Chrge | Canc. Price | Bid Price | Offer Price | + or - | Yield Gr's |
|---|---|---|---|---|---|---|
| AIB Grofund American | 5 | 149.9 | 151.5xd | 159.4 | -0.10 | 0.00 |
| AIB Grofund Equity | 5 | 194.7 | 197.4 | 208.9 | -1.10 | 1.80 |
| AIB Grofund Euro | 5 | 141.4 | 143.4 | 151.0 | +0.70 | 0.91 |
| AIB Grofund Cap Balanced | 3 | 97.87 | 99.50 | 102.58 | | 0.00 |
| AIB Grofund Gilt | 3 | 74.65 | 74.67 | 78.98 | -0.07 | 5.44 |
| AIB Grofund Japan | 5 | 123.3 | 124.7xd | 131.2 | +0.40 | 0.00 |

### AXA Equity & Law Unit Tst Mngrs (1200)H
Equity & Law Hse, Corporation St, Coventry 0203 553231

| | Init Chrge | Canc. Price | Bid Price | Offer Price | + or - | Yield Gr's |
|---|---|---|---|---|---|---|
| General Inc | 5 | 389.0 | 391.1 | 416.1 | +1.4 | 3.05 |
| General Acc | 5 | 423.6 | 425.9 | 453.1 | +1.5 | 3.05 |
| UK Growth Acc | 6 | 285.0 | 289.4 | 307.9 | +1.2 | 3.43 |
| UK Growth Inc | 6 | 204.3 | 207.4 | 220.7 | +0.9 | 3.43 |
| Higher Inc Acc | 6 | 487.4 | 495.4 | 527.1 | +2.6 | 4.90 |
| Higher Inc Inc | 6 | 300.7 | 305.6 | 325.2 | +1.6 | 4.90 |
| Gilts/Fxd Inc Acc | 5½ | 166.5 | 166.5 | 175.8 | -0.1 | 6.84 |
| Gilts/Fxd Int Inc | 5½ | 89.69 | 89.69 | 94.73 | -0.11 | 6.84 |
| Nth America | 6 | 244.3 | 249.5 | 265.5 | -1.1 | 0.00 |
| Far East | 6 | 225.8 | 225.8 | 240.3 | +0.4 | 0.23 |
| Europe | 6 | 194.3 | 194.3 | 206.7 | +0.3 | 0.68 |
| Brit Excell | 6 | 58.95 | 58.95xd | 62.72 | +0.14 | 3.49 |
| Brit Fnrmlk Acc | 6 | 75.22 | 75.22 | 80.03 | +0.83 | 5.56 |
| Brit Fnrmlk Inc | 6 | 59.04 | 59.04 | 62.81 | +0.65 | 5.56 |
| Global Opps | 6 | 60.67 | 61.25xd | 65.17 | -0.4 | 0.00 |

### Abbey Unit Tst Mngrs (1000)H
80 Holdenhurst Rd, Bournemouth 0345 717373

| | Init Chrge | Canc. Price | Bid Price | Offer Price | + or - | Yield Gr's |
|---|---|---|---|---|---|---|
| Gilts & Fixed Inc | 6 | 126.3 | 126.3xd | 133.8 | | 7.10 |

### Britannia Life Unit Managers Ltd (1200)F
190 West George St, Glasgow G2 2PA 041-332 3132

| | Init Chrge | Canc. Price | Bid Price | Offer Price | + or - | Yield Gr's |
|---|---|---|---|---|---|---|
| Balanced Growth | 6 | 84.04 | 85.19 | 91.11 | +0.47 | 2.40 |
| Do (Accum) | 6 | 91.75 | 93.01 | 99.47 | +0.52 | 2.40 |
| Smaller Cos | 6 | 61.84 | 63.60xd | 68.03 | +2.29 | 2.61 |
| Do (Accum) | 6 | 66.87 | 68.77 | 73.56 | +2.47 | 2.61 |
| Higher Yield | 6 | 33.52 | 33.90 | 36.26 | +0.20 | 5.57 |
| Do (Accum) | 6 | 45.52 | 45.83 | 49.02 | +0.27 | 5.57 |
| American Gth Inc | 6 | 48.58 | 48.80 | 52.20 | -0.09 | 0.16 |
| Do (Accum) | 6 | 49.50 | 49.73 | 53.19 | -0.09 | 0.16 |
| European Growth | 6 | 86.24 | 86.59 | 92.61 | -0.16 | 2.09 |
| Do (Accum) | 6 | 87.04 | 87.40 | 93.47 | -0.16 | 2.09 |
| Global Bond Inc | 6 | 26.78 | 26.99xd | 28.64 | -0.05 | 5.11 |
| Do (Accum) | 6 | 32.88 | 33.17 | 35.19 | -0.06 | 5.11 |
| Managed P'folio Inc | 6 | 29.67 | 29.74 | 31.81 | +0.15 | 0.00 |
| (Do Accum) | 6 | 29.75 | 29.82 | 31.90 | +0.15 | 0.00 |
| Pacific Growth Accum | 6 | 75.68 | 76.46 | 81.78 | -0.31 | 1.48 |
| Intl Spec Opps Accum | 6 | 71.46 | 72.21 | 77.23 | +0.48 | 1.83 |

### Brown Shipley & Co Ltd (1000)F
9-17 Perrymount Rd Haywards Hth 0444 412262

| | Init Chrge | Canc. Price | Bid Price | Offer Price | + or - | Yield Gr's |
|---|---|---|---|---|---|---|
| Mngd P'folio Inc | 6 | 78.83 | 78.83 | 83.95 | +0.22 | 2.48 |
| Mngd P'folio Acc | 6 | 147.6 | 147.6 | 157.2 | +0.50 | - |
| UK General | 6 | 128.9 | 128.9xd | 137.3 | +0.28 | 3.64 |
| Cont & General | 6 | 16.42 | 16.42xd | 17.49 | +0.06 | 0.82 |
| European Inc | 6 | 20.18 | 20.18 | 21.76 | +0.08 | 0.52 |
| European Acc | 6 | 20.84 | 20.84 | 22.47 | +0.08 | - |
| Financial | 6 | 94.23 | 94.23 | 100.4 | +0.30 | 4.43 |
| Foundation | 6 | 60.69 | 62.45 | 66.51 | +0.10 | 4.22 |
| German | 6 | 36.31 | 36.31xd | 38.94 | +0.44 | 0.10 |
| Growth Inc v(5-1) | 5 | 26.11 | 26.17xd | 27.87 | -0.02 | 3.32 |
| Growth Acc v(5-1) | 5 | 30.40 | 30.48 | 32.46 | -0.02 | - |
| High Income | 6 | 62.79 | 63.06 | 68.11 | +0.37 | 6.90 |
| Income | 6 | 104.5 | 105.7 | 114.2 | +0.49 | 5.08 |
| Intl Income | 6 | 81.92 | 81.92 | 87.24 | +0.61 | 5.53 |
| Intl Growth ♦ | 6 | 29.75 | 29.75xd | 31.68 | +0.11 | 0.26 |
| Monthly Income | 6 | 57.22 | 59.32 | 63.18 | +0.01 | 5.33 |
| North American | 6 | 96.47 | 96.47 | 102.7 | +0.00 | 0.21 |
| Orient ♦ | 6 | 89.64 | 89.64 | 95.41 | +0.15 | - |
| Recovery | 6 | 27.20 | 27.20xd | 29.37 | +0.18 | 4.02 |
| Smaller Cos Acc | 6 | 196.1 | 196.1 | 209.8 | +0.60 | - |
| Smaller Cos Inc | 6 | 114.8 | 114.8 | 122.8 | +0.30 | 1.88 |

### Confederation Funds Mngt Ltd (1200)F
Lytton Way, Stevenage, Herts SG1 2NN 0438 744840

| | Init Chrge | Canc. Price | Bid Price | Offer Price | + or - | Yield Gr's |
|---|---|---|---|---|---|---|
| Growth Inc | 6 | 44.93 | 45.54 | 48.70 | +0.12 | 4.3 |
| Growth Acc | 6 | 45.76 | 46.38 | 49.60 | +0.12 | 4.3 |
| High Income | 6 | 26.29 | 26.74 | 28.44 | +0.14 | 6.2 |
| Japan | 6 | 24.32 | 24.32 | 25.87 | +0.08 | 0.0 |
| Smaller Cos Inc | 6 | 19.21 | 19.21 | 20.54 | +0.07 | 5.0 |
| Smaller Cos | 6 | 19.58 | 19.58 | 20.94 | +0.08 | 5.0 |
| Canadian Exempt | 3 | 49.56 | 50.77 | 52.33 | -0.06 | 1.7 |
| European Exempt | 3 | 57.62 | 59.09 | 60.91 | +0.16 | 1.8 |
| Pacific Exempt | 3 | 39.93 | 40.49xd | 41.74 | +0.08 | 0.6 |
| US Exempt | 3 | 64.24 | 65.10 | 67.11 | +0.01 | 1.8 |
| North American | 6 | 28.91 | 28.91 | 30.73 | -0.05 | 1.0 |
| European | 6 | 25.15 | 25.46 | 27.08 | +0.07 | 1.1 |

### Consistent Unit Tst Mngt Co Ltd (1200)F
1 White Hart Yd, London Bridge, SE1 1NX 071 407 5966

| | Init Chrge | Canc. Price | Bid Price | Offer Price | + or - | Yield Gr's |
|---|---|---|---|---|---|---|
| Consistent UT | 5 | 26.33 | 26.33 | 28.27 | -0.09 | 4.10 |
| Consistent UT Acc | 5 | 27.27 | 27.27 | 29.29 | -0.07 | 4.10 |

### Co-op Pension Fds UT Mgrs Ltd (1000)F
78-80 Cornhill, London EC3V 3NJ 071-283 9494

| | Init Chrge | Canc. Price | Bid Price | Offer Price | + or - | Yield Gr's |
|---|---|---|---|---|---|---|
| Equity Dist Nov 30 | 0 | 690.6 | 690.6 | 704.0 | .... | 4.56 |
| Equity Acc Nov 30 | 0 | 1619.1 | 1619.1 | 1650.5 | .... | 4.56 |

### Crown Unit Tst Services Ltd (1200)F
Crown House, Woking GU21 1XW 0483 715033

| | Init Chrge | Canc. Price | Bid Price | Offer Price | + or - | Yield Gr's |
|---|---|---|---|---|---|---|
| American | 6 | 155.2 | 155.2 | 166.9 | +0.2 | 0.02 |
| Canadian Gwth | 6 | 21.56 | 21.56 | 23.18 | -0.10 | 1.13 |
| Cash ♥ | 2 | 28.76 | 28.76 | 29.33 | .... | 8.14 |
| European | 6 | 129.4 | 129.4 | 139.4 | +0.8 | 1.47 |
| Growth | 6 | 362.1 | 362.1 | 389.4 | +3.40 | 3.50 |
| High Income | 6 | 316.0 | 316.0 | 339.8 | +4.00 | 5.66 |
| Inv Trust Fd | 6 | 36.72 | 36.72 | 39.48 | +0.09 | 1.46 |
| Japanese | 6 | 195.2 | 195.2 | 209.9 | +0.40 | 0.00 |

### Dimensional Tst Mangmt Ltd (0900)F
155 Bishopsgate, London EC2M 3XS 071-410 0177

| | Init Chrge | Canc. Price | Bid Price | Offer Price | + or - | Yield Gr's |
|---|---|---|---|---|---|---|
| European Small Cos | 0 | 1110.5 | 1110.5xd | 1130.7 | .. | - |
| Japan Small Cos | 0 | 876.56 | 876.56xd | 893.99 | .. | - |
| UK Small Cos | 0 | 1078.9 | 1078.9 | 1142.4 | .. | - |
| US Small Cos | 0 | 1250.6 | 1250.6xd | 1289.1 | .. | - |

## Guide to pricing of Authorised Unit Trusts
Compiled with the assistance of Lautro

# FT MANAGED FUNDS SERVICE

### Sharp (Albert E.) & Co (1000)F
Admin: 5 Raleigh Rd, Hutton, Brentwood Essex
Enquiries: 0277 227300 Dealing: 0277 261010

| | Init Chrge | Canc. Price | Bid Price | Offer Price | + or - | Yield Gr's |
|---|---|---|---|---|---|---|
| Intl Bond & Conv | 5 | 116.70 | 117.00 | 123.20 | +0.20 | 5.62 |
| Pooled Pension | 7 | 140.7 | 145.3 | 150.4 | | – |
| Smaller Cos | 5 | 51.63 | 53.49 | 56.30 | +0.23 | 2.59 |
| UK Central | 5 | 108.40 | 112.00 | 117.90 | -0.30 | 2.93 |

### Sheppards Unit Trust Mngmt Ltd (1200)F
1 White Hart Yard, London Bridge SE1 071 407 5966

| | Init Chrge | Canc. Price | Bid Price | Offer Price | + or - | Yield Gr's |
|---|---|---|---|---|---|---|
| Income | 5 | 360.15 | 360.15 | 381.76 | +1.68 | 5.40 |
| Global Inc | 5 | 51.64 | 51.64 | 54.74 | +0.09 | 4.44 |
| Brit Leaders | 5 | 303.44 | 303.44 | 321.65 | +0.41 | 3.17 |
| Intl Leaders | 5 | 164.31 | 164.31 | 174.17 | -0.47 | 1.88 |
| P As Man Bal Exempt Acc | 3¼ | 48.07 | 49.29 | 51.21 | -0.03 | 3.32 |
| P As Man Bal Exempt Inc | 3¼ | 48.07 | 49.29 | 51.21 | -0.03 | 3.32 |

### Singer & Friedlander UT Mgmt Ltd (1000)F
PO Box 224, Beckenham BR3 4TF 081-663 3003

| | Init Chrge | Canc. Price | Bid Price | Offer Price | + or - | Yield Gr's |
|---|---|---|---|---|---|---|
| European Trust | 6 | 46.50 | 46.56 | 49.46 | +0.12 | 1.69 |
| Far Eastern Tst | 6 | 50.09 | 50.77 | 54.01 | +0.05 | 0.91 |
| Smaller Cos | 5 | 115.3 | 119.9 | 127.6 | +0.5 | 2.73 |

### Smith & Williamson Unit Tst Mgrs (1600)F
1 Riding House St, London W1A 3AS 071-637 5377

| | Init Chrge | Canc. Price | Bid Price | Offer Price | + or - | Yield Gr's |
|---|---|---|---|---|---|---|
| S & W American | 5 | 259.6 | 260.2 | 273.3 | -1.4 | 0.97 |
| S & W Capital | 5 | 105.6 | 105.6 | 113.1 | | 1.98 |
| S & W Cash | 0 | 101.54 | 101.54 | 101.54 | +0.04 | 6.60 |
| S & W European | 5 | 103.2 | 103.3 | 109.3 | -0.1 | 1.21 |
| S & W Far Eastern | 5 | 104.0 | 105.0 | 111.0 | -1.3 | 0.00 |
| S & W Growth | 5 | 115.1 | 114.5 | 121.1 | +0.3 | 1.56 |
| S & W Income | 5 | 98.98 | 100.3 | 106.1 | +0.4 | 5.63 |
| S & W Magnum | 5 | 111.4 | 111.4 | 119.5 | | 1.88 |
| S & W Smlr Secs | 5 | 253.1 | 259.0 | 274.0 | +1.10 | 0.72 |
| S & W Thoroughbred | 5 | 128.5 | 128.5 | 137.8 | -0.2 | 1.91 |

### Societe Generale Tauche Remnant (1600)F
Mermaid Hse, 2 Puddle Dock, EC4V 3AT 071-248 1250
4 Hourly Pricing – 12 Noon Historic

| | Init Chrge | Canc. Price | Bid Price | Offer Price | + or - | Yield Gr's |
|---|---|---|---|---|---|---|
| American Gwth | 5¼ | 73.93 | 73.93 | 79.06 | -0.58 | 0 |
| Eur Sp Sits Acc | 5¼ | 39.99 | 39.99 | 42.47 | +0.13 | 0 |
| Eur Sp Sits Inc | 5¼ | 37.76 | 37.76 | 40.11 | +0.12 | 0 |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

### Whittingdale Unit Tst Mgmt Ltd (0830)F
2 Honey Lane, London EC2V 8BT 071-600 0462

| | Init Chrge | Canc. Price | Bid Price | Offer Price | + or - | Yield Gr's |
|---|---|---|---|---|---|---|
| Challenger | 2½ | 86.05 | 86.05 | 88.05 | +0.88 | 0.00 |
| Short Dtd Gilt | 1½ | 106.4 | 106.4 | 107.8 | +0.10 | 1.93 |
| U.S. Govmt Bond | 1½ | 0.6989 | 0.6989 | 0.7082 | -0.000 | 0.00 |
| Gilt Income | 4 | 51.23 | 51.23 | 53.33 | -0.02 | 8.68 |
| Gilt Growth | 4 | 62.68 | 62.68 | 65.24 | -0.01 | 0.00 |
| City Reserve | 0 | 55.32 | 55.32 | 55.32 | +0.01 | 6.92 |

### Woolwich Unit Trust Managers Ltd (1700)H
1 White Oak Square, Swanley BR8 7AG 0705 388046

| | Init Chrge | Canc. Price | Bid Price | Offer Price | + or - | Yield Gr's |
|---|---|---|---|---|---|---|
| Stockmarket Fd F | 5 | 60.89 | 62.14 | 65.04 | -0.08 | 2.48 |

## OTHER UK UNIT TRUSTS

### Baillie Gifford & Co Ltd

| | Bid Price | Offer Price | + or - | Yield Gross |
|---|---|---|---|---|
| Int'l Expt Nov 30 | 657.4 | 680.8 | | 1.02 |

### Baring Investment Mngmt Ltd
155 Bishopsgate, London EC2M 3XY
071 214 1050 (general enquiries) 071 214 1084 (dealing)
Charitable Funds

| | Bid Price | Offer Price | + or - | Yield Gross |
|---|---|---|---|---|
| UK Growth & Income | 50.60 | 52.39 | | 4.8 |
| Income Plus | 48.35 | 49.34 | | 7.5 |

### James Capel Fund Managers Ltd

| | Bid Price | Offer Price | + or - | Yield Gross |
|---|---|---|---|---|
| Managed Exempt | 131.077 | 137.918 | +0.029 | 4.21 |

### Cent. Bd. of Fin. of Church of England
2 Fore Street, London EC2Y 5AQ 071-588 1815

| | Bid Price | Offer Price | + or - | Yield Gross |
|---|---|---|---|---|
| Inv Fund Nov 30 | 559.95 | 565.60 | | 3.27 |
| Fxd Int Sec Nov 30 | 149.10 | 149.85 | | 9.68 |

Deposit Fund: See Money Market Trust Funds.

### Charinco/Charishares (1000)F
33 King William Street, EC4R 9AS 071-280 2800

[illegible]

## INSURANCES

[illegible]

# FT MANAGED FUNDS SERVICE

• Current Unit Trust prices are available from FT Cityline. For further details call (071) 925 2128.

### Prolific Life & Pensions Ltd

Stramongate, Kendal, Cumbria LA9 4UB 0539 733733

Managed Fund see Balanced Growth Managed Fund

| | Bid Price | Offer Price | + or - | Yield Gross |
|---|---|---|---|---|
| Life Funds | | | | |
| Balanced Grth Mngd. | 617.1 | 656.5 | +1.0 | - |
| Adventurous Mngd. | 147.8 | 157.3 | +0.1 | - |
| Cautious Mngd. | 120.0 | 127.7 | +0.1 | - |
| Cash Fd. | 314.8 | 331.8 | | - |
| Property Fund | 215.7 | 229.5 | -2.5 | - |
| Equity Fund | 705.3 | 750.4 | +0.2 | - |
| Fxd. Int. Fund | 394.7 | 416.0 | +0.6 | - |
| International | 314.3 | 334.4 | -0.2 | - |
| High Income | 545.4 | 580.3 | +1.7 | - |
| Far East | 410.0 | 436.2 | -1.0 | - |
| North American | 419.0 | 445.8 | -1.1 | - |
| Special Sits. | 499.5 | 531.4 | +3.4 | - |
| Technology | 419.8 | 446.6 | +0.7 | - |
| Extra Inc Fd | 299.1 | 318.2 | +0.6 | - |
| Convertible & Gilt Fd. | 144.1 | 153.3 | | - |
| American Income | 167.5 | 178.2 | -0.1 | - |
| Gilt Fund 20 | 434.3 | 462.1 | +0.2 | - |
| European Fund | 112.0 | 119.2 | -0.1 | - |
| Pref & Fixed Int. | 109.2 | 116.2 | +0.5 | - |
| UK Blue Chip | 113.4 | 119.5 | +0.5 | - |
| Recovery Fund | 108.4 | 110.1 | +0.6 | - |
| Equity Income Dist. | 100.7 | 107.2 | +0.1 | 5.01 |
| Managed Dist. | 95.7 | 101.9 | +0.1 | 3.34 |
| High Yield Dist. | 100.1 | 106.5 | +0.1 | 7.49 |
| Pension Funds | | | | |
| Bal Gth Mgd Pens Acc. | 719.5 | 757.4 | +1.2 | - |
| Adventurous Mgd Pens Acc. | 154.0 | 162.2 | +0.2 | - |
| Cautious Mngd Pens Acc. | 137.9 | 145.2 | +0.1 | - |
| Building Soc. Acc. | 362.4 | 381.5 | | - |
| Property Pens. Acc. | 294.0 | 309.5 | -2.5 | - |
| Fd. Int. Pens. Acc. | 622.6 | 655.4 | +0.6 | - |
| Equity Pens. Acc. | 902.6 | 950.2 | +0.2 | - |
| International Pens Acc | 288.8 | 304.0 | -0.6 | - |
| High Inc Pens Acc. | 614.0 | 646.4 | +2.0 | - |
| Tech Pens Acc. | 297.2 | 312.9 | +0.5 | - |
| N American Pens Acc. | 315.2 | 331.8 | -2.0 | - |
| Far Eastern Pens Acc. | 403.5 | 424.8 | -1.1 | - |
| Special Sits Pens Acc | 411.1 | 432.8 | +2.5 | - |
| Extra Income Pens Fd. | 364.8 | 384.0 | +1.2 | - |
| Convertible & Gilt Pen. | 175.3 | 184.6 | -0.2 | - |
| American Inc Pens. | 191.6 | 201.7 | -0.1 | - |
| European Pens. | 124.0 | 130.6 | | - |
| Managed Cash Pens. | 170.7 | 179.7 | | - |

### Reliance Mutual

Reliance House, Tunbridge Wells, Kent 0892 510033

| | Bid Price | Offer Price | + or - | Yield Gross |
|---|---|---|---|---|
| Deposit Acc Fd. | 167.4 | 176.2 | +0.1 | - |
| Equity Acc Fd | 382.3 | 402.4 | -0.3 | - |
| Managed Acc Fd. | 336.3 | 354.0 | | - |
| Prop Fd (Ist Invest). | - | 614.1 | | - |
| Prop Acc Fd (2nd Iss) | 120.3 | 126.6 | | - |
| Unit Trust Mn. Fd. | 149.9 | 157.8 | | - |
| RL Pension Funds | | | | |
| Deposit Acc. | 242.6 | 255.4 | +0.1 | - |
| Equity Acc. | 280.2 | 295.0 | -0.2 | - |
| Fixed Int Acc. | 242.6 | 255.4 | | - |
| Gilt Indx Lnk Acc. | 181.2 | 190.8 | | - |
| Managed Acc. | 370.8 | 390.3 | | - |

### J Rothschild Assurance PLC

J Rothschild House, Dollar Street, Cirencester

Telephone 0285 640302 Helpline 041 307 6300

| | Bid Price | Offer Price | + or - | Yield Gross |
|---|---|---|---|---|
| Life Funds | | | | |
| JRA/M&G Managed | 107.8 | 113.5 | | - |
| JRA/Scott Amicable Mngd | 104.5 | 110.1 | +0.20 | - |
| JRA/St James's Place Mngd | 110.9 | 116.8 | | - |
| Deposit | 99.80 | 105.1 | | - |
| Far East | 106.8 | 112.5 | -1.20 | - |
| Gilts | 104.7 | 110.3 | | - |
| Greater European | 105.9 | 111.5 | -0.60 | - |
| North American | 123.0 | 129.5 | -0.90 | - |
| UK Equity | 108.3 | 114.0 | +0.30 | - |
| Pension Funds | | | | |
| JRA/M&G Managed cap. | 105.2 | 110.8 | +0.10 | - |
| JRA/M&G Managed acc. | 108.4 | 114.2 | +0.10 | - |
| JRA/Scott Amicable Mngd cap | 101.4 | 106.8 | +0.50 | - |
| JRA/Scott Amicable Mngd acc | 104.6 | 110.2 | +0.50 | - |
| JRA/St James's Pl Mngd cap. | 112.5 | 118.5 | | - |
| JRA/St James's Pl Mngd Acc | 116.0 | 122.2 | | - |
| Deposit cap. | 99.80 | 105.1 | | - |
| Deposit acc. | 102.9 | 108.4 | | - |
| Far East cap. | 102.2 | 107.6 | -1.40 | - |
| Far East acc. | 105.3 | 110.9 | -1.50 | - |
| Gilts cap. | 102.6 | 108.0 | -0.10 | - |
| Gilts acc. | 105.8 | 111.4 | -0.10 | - |

## MANAGEMENT SERVICES

## OFFSHORE AND OVERSEAS

## BERMUDA (SIB RECOGNISED)

## CANADA (SIB RECOGNISED)

## GUERNSEY (SIB RECOGNISED)

## GUERNSEY (REGULATED)

## OFFSHORE INSURANCES

## IRELAND (SIB RECOGNISED)

## IRELAND (REGULATED)

## ISLE OF MAN (SIB RECOGNISED)

## ISLE OF MAN (REGULATED)

# FT MANAGED FUNDS SERVICE

● Current Unit Trust ... calls call (071) 925 2128.

| | Bid Price | Offer Price | + or − | Yield Gross |
|---|---|---|---|---|
| **IBI Global Funds Limited** | | | | |
| Intl Stlg Grth | £19.92 | 20.98 | | |
| Intl $US Grth | $17.91 | 18.87 | | |
| High Income Gilt | £25.88 | 26.83 | | |
| International Equity | £20.13 | 21.20 | | |
| International Bond | £22.07 | 22.88 | | |
| Managed Currency | £27.45 | 27.74 | | |
| Sterling Currency | £26.44 | 26.72 | | |
| US$ Currency | $37.75 | 38.14 | | |
| Irish £ Currency | I£15.18 | 15.34 | | |
| **R & H Fund Managers Ltd** | | | | |
| LFM Sterling Fd | £11.04 | 11.51 | | |
| B F Offshore Inc Fd Ltd | £11.19 | 11.85 | | |
| **Target International (Isle of Man) Ltd** | | | | |
| IMC Offshore Fd | £9.05 | 9.79 | | |
| [illegible] | £9.41 | 9.71 | | |

## JERSEY (SIB RECOGNISED)

**AIB Fund Managers (CI) Ltd**
PO Box 468 St Helier Jersey 0534 36633

**Barclays International Funds**
PO Box 152, St Helier, Jersey CI

## LUXEMBOURG (SIB RECOGNISED)

## JERSEY (REGULATED)(**)

## LUXEMBOURG (REGULATED)(**)

## SWITZERLAND (SIB RECOGNISED)

## OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

# CURRENCIES, MONEY AND CAPITAL MARKETS

## FOREIGN EXCHANGES

# More pressure on French franc

*BOTH the Bundesbank and the* Bank of France intervened on the foreign exchanges in support of the French franc yesterday, as the D-Mark consolidated its recent strength, *writes James Blitz.*

Trading in most currencies was extremely thin on account of the Christmas season, and the dollar moved in tight ranges against the D-Mark.

However, dealers increasingly believe that the franc may not survive without a devaluation in the run up to the French parliamentary elections in the spring, and trading in the "Mark-Paris" cross rate was jittery.

News that Mr Pierre Bérégovoy, the French prime minister, was due to hold a news conference on Thursday morning excited some dealers yesterday. The subject of the news conference remained unspecified last night.

Mr Otmar Issing, the Bundesbank's chief economist, may have attempted to calm markets by saying that M3 money supply would grow more slowly in November and December, after showing annualised growth of 10.3 per cent in October.

However, any beneficial impact from this statment was *lost by his further comment* that German inflation remained high and was unlikely to ease in coming months. This was seen as a further sign that there would be no early end to high German interest rates.

The franc was seen at a low of around FFr3.4220 against the D-Mark in late afternoon trading yesterday, before appreciating back to a close of FFr3.4170. Both the French and German central banks intervened in support of the currency at the FFr3.4176 level to the D-Mark around midday. The sums deployed in a thin market were reported to be small. Sharp rises in French money market interest rates may have been a better guide to tensions.

Mr Neil MacKinnon, chief economist at Citibank in London, said that the prospects for a franc devaluation before the spring remained strong, and would be enhanced if signs *grew that the French socialists* were to lose the March election. "Traditionally, it is the right wing parties in France that have carried out devaluations of the currency," he said.

Speculation persisted in the market of an early devaluation of the Irish punt, and there were continuing rumours of a post-Christmas holiday alignment downwards of the Danish krone.

The Irish central bank cut overnight interest rates to 16 per cent from 20 per cent yesterday. The punt dipped lower against other European currencies, before moving back to around DM2.6394, two pfennigs above its ERM floor against the D-Mark of DM2.6190.

Mr Bill Clinton, the US President-elect, said that he would back a strong dollar yesterday and this helped boost the US currency. But the D-Mark's residual strength pushed it off a ledge above DM1.57 to close at DM1.5670 in London.

### EMS EUROPEAN CURRENCY UNIT RATES

| | Ecu Central Rates | Currency Amounts Against Ecu Dec 15 | % Change from Central Rate | % Spread vs Weakest Currency | Divergence Indicator |
|---|---|---|---|---|---|
| Portuguese Escudo | 182.194 | 175.057 | −3.92 | 5.42 | 64 |
| Spanish Peseta | 143.386 | 139.492 | −2.72 | 4.12 | 45 |
| Belgian Franc | 40.6304 | 40.3193 | −0.77 | 2.07 | 35 |
| Dutch Guilder | 2.21958 | 2.20286 | −0.75 | 2.06 | 35 |
| D-Mark | 1.96992 | 1.95882 | −0.56 | 1.87 | 33 |
| Danish Krone | 7.51410 | 7.53636 | 0.30 | 0.99 | −16 |
| Irish Punt | 0.735334 | 0.742406 | 0.96 | 0.33 | −46 |
| French Franc | 6.60683 | 6.69213 | 1.29 | 0.00 | −75 |

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9) Sterling and Italian Lira suspended from ERM. Adjustment calculated by Financial Times.

### £ IN NEW YORK

| Dec.15 | Latest | Previous Close |
|---|---|---|
| £ Spot | 1.5670-1.5680 | 1.5660 1.5670 |
| 1 month | 0.56-0.54pm | 0.56 0.54cpm |
| 3 months | 1.39-1.36pm | 1.36 1.33pm |
| 12 months | 3.90-3.80pm | 3.80 3.70pm |

Forward premiums and discounts apply to the US dollar

### EXCHANGE CROSS RATES

| Dec.15 | £ | $ | DM | Yen | F Fr. | S Fr. | N Fl. | Lira | C$ | B Fr | Pta | Ecu |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| £ | 1 | 1.568 | 2.458 | 194.5 | 8.400 | 2.210 | 2.763 | 2197 | 2.004 | 50.70 | 174.2 | 1.252 |
| $ | 0.638 | 1 | 1.568 | 124.0 | 5.357 | 1.409 | 1.762 | 1401 | 1.278 | 32.33 | 111.1 | 0.798 |
| DM | 0.407 | 0.638 | 1 | 79.13 | 3.417 | 0.899 | 1.124 | 893.8 | 0.815 | 20.63 | 70.87 | 0.509 |
| YEN | 5.141 | 8.062 | 12.64 | 1000 | 43.19 | 11.36 | 14.21 | 11296 | 10.30 | 260.7 | 895.6 | 6.437 |
| F Fr. | 1.190 | 1.867 | 2.926 | 231.5 | 10 | 2.631 | 3.289 | 2615 | 2.386 | 60.36 | 207.4 | 1.490 |
| S Fr. | 0.452 | 0.710 | 1.112 | 88.01 | 3.801 | 1 | 1.250 | 994.1 | 0.907 | 22.94 | 78.82 | 0.567 |
| N Fl. | 0.362 | 0.567 | 0.890 | 70.39 | 3.040 | 0.800 | 1 | 795.2 | 0.725 | 18.35 | 63.05 | 0.453 |
| Lira | 0.455 | 0.714 | 1.119 | 88.53 | 3.823 | 1.006 | 1.258 | 1000 | 0.912 | 23.08 | 79.29 | 0.570 |
| C$ | 0.499 | 0.782 | 1.227 | 97.06 | 4.192 | 1.103 | 1.379 | 1096 | 1 | 25.30 | 86.93 | 0.625 |
| B Fr. | 1.972 | 3.093 | 4.848 | 383.6 | 16.57 | 4.359 | 5.450 | 4333 | 3.953 | 100 | 343.6 | 2.469 |
| Pta | 0.574 | 0.900 | 1.411 | 111.7 | 4.822 | 1.269 | 1.586 | 1261 | 1.150 | 29.10 | 100 | 0.719 |
| Ecu | 0.799 | 1.252 | 1.963 | 155.4 | 6.709 | 1.765 | 2.207 | 1755 | 1.601 | 40.50 | 139.1 | 1. |

Yen per 1,000 French Fr per 10 Lira per 1,000 Belgian Fr per 100 Peseta per 100

### OTHER CURRENCIES (extract)

| Dec.15 | £ | $ |
|---|---|---|
| Australia | 2.2755 - 2.2775 | 1.4520 - 1.4530 |
| Brazil | 17360.6 - 17371.9 | 11066.9 - 11067.0 |
| Finland | 7.9105 - 8.0755 | 5.0600 - 5.0800 |
| Greece | 321.650 - 328.100 | 205.750 - 209.850 |
| Hong Kong | 12.1255 - 12.1420 | 7.7390 - 7.7400 |
| Iran | 2270.00* | 1450.00* |
| Korea(Sth) | 1225.65 - 1245.45 | 787.90 - 794.10 |
| Kuwait | 0.47100 - 0.47200 | 0.29990 - 0.30010 |
| Luxembourg | 50.65 - 50.75 | 32.30 - 32.40 |
| Malaysia | 4.0440 - 4.0560 | 2.5820 - 2.5850 |
| Mexico | 4897.65 - 4900.75 | 3122.50 - 3124.50 |
| N Zealand | 3.0430 - 3.0475 | 1.9400 - 1.9430 |
| Saudi Ar. | 5.8120 - 5.9075 | 3.7495 - 3.7505 |
| Singapore | 2.5665 - 2.5740 | 1.6390 - 1.6400 |
| S Af (Cm) | 4.7135 - 4.7265 | 3.0095 - 3.0115 |
| S Af (Fn) | 7.5405 - 7.7265 | 4.8075 - 4.9260 |
| Taiwan | 39.65 - 39.85 | 25.35 - 25.45 |
| U.A.E. | 5.6910 - 5.7860 | 3.6715 - 3.6735 |

*Floating rate. Iran Official rate:£99.70 $66.20

## MONEY MARKETS

# Futures fall again

*EUROPEAN currency futures* fell again yesterday as the French franc remained under pressure on currency markets, and the Bundesbank was forced to intervene on the foreign exchanges to support the currency, *writes James Blitz.*

Dealers were increasingly doubtful that the French franc could survive the continuing tensions in the Exchange Rate Mechanism without a devaluation. Sterling cash rates firmed slightly, amidst increasing signs that another easing in UK rates is a distant prospect.

**UK clearing bank base lending rate**
**7 per cent**
**November 13, 1992**

Rates in the French franc currency market rose sharply alongside the Bundesbank intervention. Three month money rose to 11⅝ per cent from a previous close of 11 per cent, while 6 month money edged up from 10¼ per cent to 10½ per cent.

One London based clearing bank dealer said that the Bank of France could not sustain these high market rates for long without raising its official lending rates.

French franc futures fell sharply. The March contract fell 6 basis points to a low of 90.51, while the June contract fell 16 basis points to a low of 91.67.

*Remarks from Mr Otmar* Issing, the Bundesbank chief economist, that growth in M3 money supply would be considerably lower in the next two months failed to check another fall in Euromark futures.

The March Euromark contract fell 3 basis points from its high of 91.96 yesterday. German call money edged up to 9 per cent yesterday, as year-end tax payments had their first heavy impact on bank liquidity levels.

Call money was at 8.95 per cent initially, but edged up to slightly above 9 per cent as tax payments began coming in to the banks.

Both cash rates and futures in the sterling market showed signs of firmness yesterday, after UK indicators underlined that another cut in base rates was unlikely before the spring.

UK input prices rose 4.1 per cent in the year to November, the highest year-on-year rise since October 1976, compounding fears that a further easing of UK monetary policy could have inflationary implications.

The March short sterling contract therefore fell 1½ basis points from its previous close of 93.30. Three-month money firmed to 7¼ per cent from a previous close of 7⅛ per cent.

### FT LONDON INTERBANK FIXING

| (11.00 a.m. Dec 15) 3 months US dollars | |
|---|---|
| bid 3½ | offer 3⅝ |

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

### MONEY RATES

**NEW YORK** — Lunchtime: Prime rate 6; Broker loan rate 5; Fed funds 3⅛; Fed funds at intervention 3⅛. Treasury Bills and Bonds: One month, Two month, Three month, Six month, One year, Two year … 5.30, 6.13, 6.48, 6.82, 7.46

| Dec. 15 | Overnight | One Month | Two Months | Lombard Intervention |
|---|---|---|---|---|
| Frankfurt | 8.90-9.00 | 9.00-9.15 | 8.90-9.05 | 9.50 |
| Paris | 9¾-10 | 10⅞-11⅛ | - | 9.10 |
| Zurich | 5¾-6 | 6⅛-6⅜ | - | - |
| Amsterdam | 8.25-8.50 | 8.68-8.75 | - | - |
| Tokyo | 3¾-3⅞ | 3⅞-3⅞ | - | - |
| Milan | 12¼-12⅝ | 13⅞-14 | - | - |
| Brussels | 8¾-9 | 8⅞-9⅛ | - | - |
| Dublin | 16-18 | 20-21 | 17½-18½ | - |

### LONDON MONEY RATES

| Dec 15 | Overnight | 7 days notice | One Month | One Year |
|---|---|---|---|---|
| Interbank Offer | 7⅝ | 7¼ | 7⅛ | 6⅞ |
| Interbank Bid | 6½ | 7 | 7⅛ | 6⅞ |
| Sterling CDs | – | – | 7⅛ | 6¾ |
| Local Authority Deps | 7⅛ | 7 | 7⅛ | 6⅞ |
| Local Authority Bonds | – | – | – | – |
| Discount Mkt Deps | 7⅛ | 7⅛ | – | – |
| Company Deposits | – | – | – | – |
| Finance House Deposits | – | – | 7⅛ | 6⅞ |
| Treasury Bills (Buy) | – | – | 6¾ | – |
| Bank Bills (Buy) | – | – | 6¾ | – |
| Fine Trade Bills (Buy) | – | – | – | – |
| Dollar CDs | – | – | 3.24 | 4.03 |
| SDR Linked Dep Offer | – | – | 5⅜ | 5¾ |
| SDR Linked Dep Bid | – | – | 5¼ | 5 |
| ECU Linked Dep Offer | – | – | 11⅛ | 9⅝ |
| ECU Linked Dep Bid | – | – | 10⅞ | 9¼ |

Treasury Bills (sell): one-month 6⅞ per cent; three months 6⅞ per cent; Bank Bills (sell): one-month 6⅞ per cent; three months 6⅞ per cent; Treasury Bills; Average tender rate of discount 6.4176. ECGD Fixed Rate Sterling Export Finance. Make up day November 30 1992. Agreed rates for period December 26, 1992 to January 25, 1993, Scheme I: 8.71 p.c. Schemes II & III 8.54 p.c. Reference rate for period October 31, 1992 to November 30, 1992 Scheme IV&V 7.267 p.c. Local Authority and Finance Houses seven days' notice, others seven days fixed. Finance Houses Base Rate 8 from December 1 1992. Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 4⅛ per cent; one-three months 6½ per cent; three-six months 6½ per cent; six-nine months 6½ per cent, nine-twelve months 6 per cent; Under £100,000 4⅛ per cent from Oct 20 1992. Deposits withdrawn for cash 4 per cent.

## FINANCIAL FUTURES AND OPTIONS

### OPTION ON LONG-TERM FRENCH BOND (MATIF)

| Strike | Calls January | Calls March | Calls June | Puts January | Puts March | Puts June |
|---|---|---|---|---|---|---|
| 110 | - | 1.82 | 2.62 | 0.07 | 0.65 | - |
| 111 | 0.55 | 1.19 | - | 0.26 | 0.90 | - |
| 112 | 0.12 | 0.70 | 1.47 | - | - | 1.67 |
| 113 | - | 0.38 | 1.02 | - | - | - |
| 114 | - | 0.20 | 0.70 | - | - | - |
| Open int | 19,753 | 185,555 | 26,893 | 10,555 | 151,106 | 18,120 |

Estimated volume 11,082 † Total Open Interest 411,962
† All Yield & Open interest figures are for the previous day.

## BASE LENDING RATES

| | % | | % | | % |
|---|---|---|---|---|---|
| Adam & Company | 7 | Cyprus Popular Bank | 7 | Mount Banking | 7 |
| Allied Trust Bank | 7 | Duncan Lawrie | 7 | NatWestminster | 7 |
| AIB Bank | 7 | Equatorial Bank plc | 7 | Northern Bank Ltd | 7 |
| ●Henry Ansbacher | 7 | Exeter Bank Limited | 8 | Nykredit Mortgage Bnk | 7.5 |
| B & C Merchant Bank | 13 | Financial & Gen Bank | 8 | ●Rea Brothers | 7 |
| Bank of Baroda | 7 | ●Robert Fleming & Co | 7 | Roxburghe Bank Ltd | 9 |
| Banco Bilbao Vizcaya | 7 | Girobank | 7 | Royal Bk of Scotland | 7 |
| Bank of Cyprus | 7 | ●Guinness Mahon | 7 | ●Smith & Williamson Secs | 7 |
| Bank of Ireland | 7 | Habib Bank AG Zurich | 7 | Standard Chartered | 7 |
| Bank of India | 7 | ●Hambros Bank | 7 | TSB | 7 |
| Bank of Scotland | 7 | Hampshire Trust Plc | 13.5 | Unibank plc | 7 |
| Barclays Bank | 7 | Heritable & Gen Inv Bk | 7 | ●United Bk of Kuwait | 7 |
| Brit Bk of Mid East | 7 | ●Hill Samuel | 7 | Unity Trust Bank Plc | 7 |
| ●Brown Shipley | 7 | C. Hoare & Co | 7 | Western Trust | 7 |
| CL Bank Nederland | 7 | Hongkong & Shanghai | 7 | Whiteaway Laidlaw | 7 |
| Citibank NA | 7 | Julian Hodge Bank | 7 | Yorkshire Bank | 7 |
| City Merchants Bank | 7 | ●Leopold Joseph & Sons | 7 | | |
| Clydesdale Bank | 7 | Lloyds Bank | 7 | | |
| Co-operative Bank | 7 | Meghraj Bank Ltd | 7 | | |
| Coutts & Co | 7 | McDonnell Douglas Bk | 7 | | |
| Credit Lyonnais | 7 | Midland Bank | 7 | | |

● Members of British Merchant Banking & Securities Houses Association





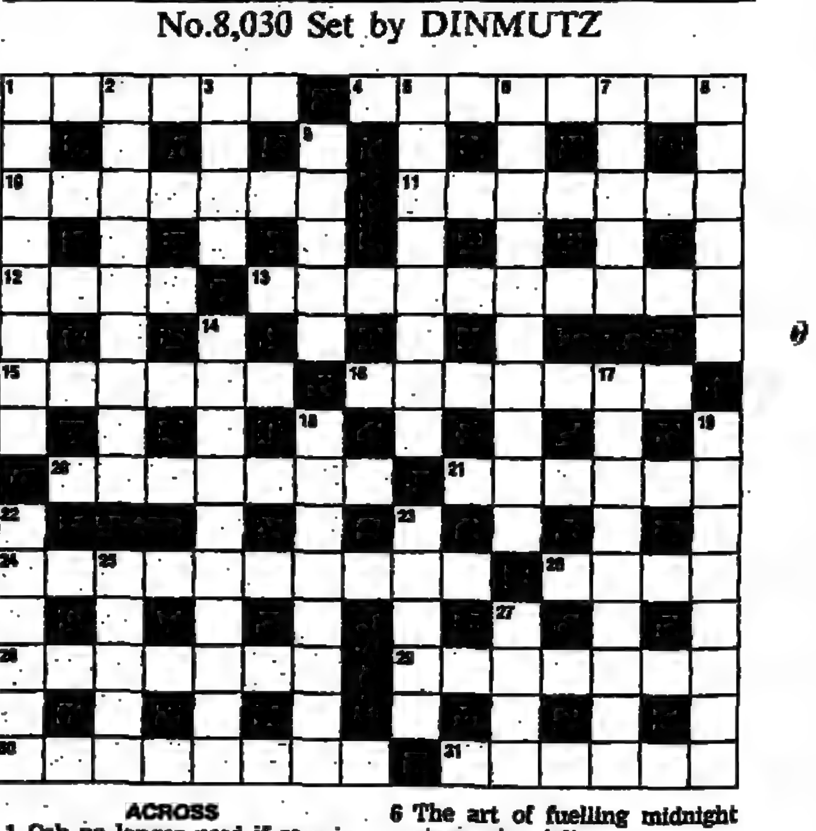
## MONEY MARKET FUNDS

Money Market Trust Funds

Money Market Bank Accounts

## CROSSWORD

No.8,030 Set by DINMUTZ



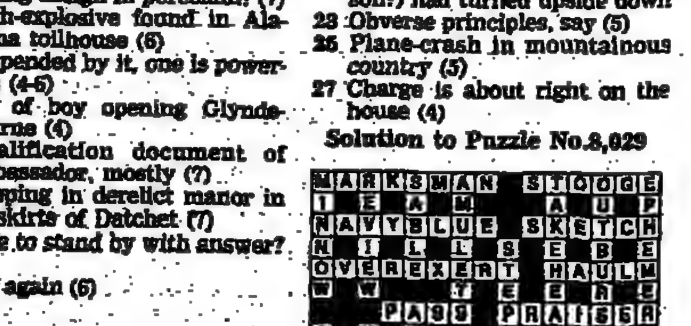
**ACROSS**

1 Cab no longer used if race is abandoned (6)
4 Writer about to settle colour of elopers' boat (3-5)
10 High tar (7)
11 French playwright makes semi-hero prevail (7)
12 Alpine wind – initially from on high, naturally (4)
13 Chain-store characters becoming solitary types (10)
15 Old buffer on the level (6)
16 Metal-works established close to railway (7)
20 Fixing design in porcelain? (7)
21 High-explosive found in Alabama tollhouse (6)
24 Suspended by it, one is powerless (4-6)
26 Air of boy opening Glyndebourne (4)
28 Qualification document of ambassador, mostly (7)
29 Sleeping in derelict manor in outskirts of Datchet (7)
30 Wife to stand by with answer? (8)
31 Try again (6)

**DOWN**

1 Plane angle may be a fluke (8)
2 An old railway-line, where the poor lived (4-6)
3 Bloody strange! (4)
5 Note on Hogarth's version of the aardvark (5-3)
6 The art of fuelling midnight star-gazing (10)
7 Make Bill work in the house? (5)
8 Knotty Japanese drama does unfold (6)
9 Being clean, does no harm when fired (5)
14 The man of the match (10)
17 To share drink in grounds (9)
18 England's openers failed dismally in these shots (8)
19 Irritating chap in a British barge (8)
22 Weaver-bird (for what reason?) had turned upside down
23 Obverse principles, say (5)
25 Plane-crash in mountainous country (5)
27 Charge is about right on the house (4)

Solution to Puzzle No.8,029



# WORLD STOCK MARKETS

## CANADA

### MONTREAL

*2:45 pm December 15*

| Sales | Stock | High | Low | Close | Chng |
|---|---|---|---|---|---|
| 32600 | Bombrdier B | $12 1/4 | 12 1/2 | 12 5/8 | |
| 4500 | Cambior | $12 1/8 | 12 | 12 | |
| 99500 | Canimp Bk | $26 | 25 3/4 | 25 3/4 | -1/8 |
| 100 | CanMarconi | $13 3/8 | 13 3/8 | 13 3/8 | |
| 4300 | Cascades | $6 1/2 | 6 1/4 | 6 1/2 | |
| 3000 | DominTxt A | $7 3/8 | 7 1/4 | 7 3/8 | +1/8 |
| 5300 | MacleanHnt | $11 7/8 | 11 3/4 | 11 3/4 | -1/8 |
| 102400 | NatBk Can | $8 | 7 3/4 | 7 7/8 | +1/8 |
| 6200 | Quebecor A | $16 1/2 | 16 1/2 | 16 1/2 | |
| 3700 | Teleglobe x | $13 5/8 | 13 1/2 | 13 5/8 | |
| 1000 | Univa x | $7 | 7 | 7 | |
| 10300 | Videotron | $16 7/8 | 16 3/4 | 16 3/4 | -1/8 |

Total Sales 19,102,800 shares

## INDICES

## TOKYO - Most Active Stocks

Tuesday, December 15, 1992

| | Stocks Traded | Closing Prices | Change on day | | Stocks Traded | Closing Prices | Change on day |
|---|---|---|---|---|---|---|---|
| Mitsui Min & Sml | 6.4m | 508 | +5 | Keisei Electric | 1.8m | 620 | +9 |
| NPN Steel Corp | 2.5m | 291 | +1 | Tokio M&F Inds | 1.6m | 1,180 | +10 |
| Sumitomo Chem | 2.1m | 479 | +19 | Toshiba Corp | 1.8m | 634 | -1 |
| Nippon Jutaku | 1.9m | 309 | -15 | Hitachi | 1.6m | 745 | +4 |
| Torray Industries | 1.9m | 655 | | Osaka Gas | 1.6m | 437 | +2 |

3 pm December 15

# NEW YORK STOCK EXCHANGE COMPOSITE PRICES

| 1992 High | Low | Stock | Div. | Yld. % | P/E | Sls 100s | High | Low | Close Quote | Ch'ge Prev. Close |
|---|---|---|---|---|---|---|---|---|---|---|
| 18⅞ | 11 | AAR Corp | 0.48 | 4.0 | 19 | 1104 | 12 | 11⅞ | 12 | +⅛ |
| 28½ | 18 | A L Labs A | 0.18 | 0.8 | 145 | 483 | 23⅝ | 23 | 23⅛ | +½ |
| 68¼ | 52⅞ | AMP Inc | 1.52 | 2.7 | 20 | 6813 | 56¼ | 55¼ | 55⅞ | -⅞ |
| 80¼ | 54⅞ | AMR | | | | 124731 | 61 | 60¼ | 60⅝ | |
| 2⅞ | 1⅞ | ARX | | | 12 | 148 | 1⅞ | 1⅞ | 1⅞ | |
| 53½ | 30½ | ASA | 2.00 | 6.4 | 20 | 418 | 31⅞ | 31⅛ | 31⅛ | -½ |
| 34¼ | 28⅛ | Abbott Lab | 0.60 | 1.9 | 22 | 5200 | 32⅛ | 31½ | 31⅞ | +⅛ |
| 18⅞ | 10⅞ | Abitibi Pr | 0.40 | 3.6 | 5 | 3 | 11⅛ | 11⅛ | 11⅛ | |
| 11⅝ | 10⅛ | ACM Gvt In x | 0.94 | 8.6 | | 91 | 10⅞ | 10⅞ | 10⅞ | +⅛ |
| 10⅞ | 8⅞ | ACM GvOpp x | 0.73 | 7.7 | | 40 | 9½ | 9⅞ | 9½ | +⅛ |
| 9⅞ | 8½ | ACM Gvt Sp | 0.91 | 10.3 | | 81 | 8⅞ | 8⅞ | 8⅞ | |
| 11⅞ | 9⅞ | ACM Gvt Se | 1.01 | 9.5 | | 1124 | 10⅝ | 10⅛ | 10⅝ | +⅛ |
| 10⅝ | 8⅝ | ACM Man x | 0.95 | 9.6 | | 57 | 10 | 9⅞ | 10 | |
| 12⅞ | 8⅞ | ACM Managd x | 0.93 | 10.6 | | 329 | 8⅞ | 8¾ | 8¾ | |
| 11⅞ | 4⅞ | Acme Cleve | 0.40 | 4.9 | 15 | 77 | 8⅞ | 8⅛ | 8⅛ | -⅛ |
| 8½ | 3⅞ | Acme Elect | | | 107 | 171 | 5⅝ | 5¼ | 5⅜ | -⅛ |
| 33¼ | 14⅞ | Acuson | | | 12 | 693 | 18⅝ | 18½ | 18⅝ | +⅛ |
| 21 | 18⅛ | Adams Expr | 1.62 | 8.2 | 1 | 134 | 19⅞ | 19⅝ | 19⅞ | |
| 49⅛ | 29½ | Ad Micro | 3.00 | 6.9 | | 229 | 44 | 43½ | 43½ | -½ |
| 21½ | 7½ | Ad Micro P | 3.00 | 18.5 | | 53903 | 16¼ | 16⅛ | 16¼ | -½ |
| 9⅞ | 4⅞ | Advest Grp | 0.16 | 2.7 | 12 | 25 | 6 | 5⅞ | 5⅞ | -⅛ |
| 43⅞ | 33 | Aegon ADR | 1.35 | 3.2 | | 71039 | 41¼ | 41½ | 41⅜ | +⅛ |
| 48⅞ | 38 | Aetna Lf | 2.76 | 5.8 | | 142483 | 48⅛ | 47¾ | 47⅞ | +⅛ |
| 12¾ | 8⅛ | AMR A | 0.24 | 2.1 | 15 | 664 | 11½ | 11 | 11¼ | -¼ |
| 34 | 24 | Aflac | 0.44 | 1.3 | 15 | 1233 | 33⅝ | 33 | 33⅝ | +⅝ |
| 19⅞ | 13 | Ahmanson | 0.88 | 5.4 | | 81914 | 16½ | 16⅛ | 16¼ | -¼ |
| 22⅛ | 4 | Aileen Inc | | | 15 | 299 | 9 | 8⅝ | 8⅞ | -⅛ |
| 49½ | 36½ | Air Pr Chm | 0.88 | 1.9 | 18 | 1102 | 46⅝ | 45⅞ | 46½ | -⅛ |
| 29¾ | 12½ | Airbne Frt | 0.30 | 1.7 | 99 | 333 | 17⅞ | 17¼ | 17⅞ | +⅛ |
| 21½ | 11¼ | Airgas Inc | | | 28 | 94 | 19⅝ | 19⅛ | 19⅛ | -¼ |
| 12⅞ | 6⅛ | Airlease | 1.60 | 14.5 | 8 | 31 | 11⅛ | 11 | 11 | |
| 104 | 99 | AlaPw8.16 | 8.16 | 8.0 | | 2 | 101 | 101 | 101½ | |

| 1992 High | Low | Stock | Div. | Yld. % |
|---|---|---|---|---|
| 66⅛ | 41⅞ | BP ADR | 3.04 | 7.1 |
| 32¼ | 27⅞ | BP Prudhoe | 3.10 | 9.9 |
| 1⅞ | 0 | BP Wts93 | | |
| 15⅞ | 7 | Brit Steel | 0.94 | 11.2 |
| 70⅝ | 53⅞ | Br Telecm | 4.02 | 6.6 |
| 26⅞ | 15¼ | Broad Inc | 0.28 | 1.1 |
| 35⅛ | 26 | Brooklyn U | 1.94 | 5.9 |
| 29 | 21 | Brown Grp x | 1.60 | 5.7 |
| 10½ | 5 | Brown&Shrp | 0.32 | 4.6 |
| 90 | 72 | BrwnFormnB | 2.72 | 3.2 |
| 26⅛ | 19⅞ | Browning F x | 0.68 | 2.8 |
| 3⅞ | 1⅞ | BRT | | |
| 17⅞ | 12⅛ | Brunswick | 0.44 | 2.7 |
| 19 | 12⅞ | Brush Well x | 0.20 | 1.3 |
| 32⅛ | 25⅞ | Buckeye Pt | 2.60 | 8.7 |
| 17⅛ | 14⅞ | Bunker Hill | 1.36 | 8.6 |
| 15 | 11⅞ | Burger K I x | 1.56 | 11.1 |
| 23⅞ | 11 | Burl Coat | | |
| 47⅞ | 33⅛ | Burl North x | 1.20 | 2.9 |
| 43⅞ | 33 | Burln Resc x | 0.50 | 1.3 |
| 18 | 14¼ | Bunham Pc x | 1.38 | 8.8 |

- C -

| 1992 High | Low | Stock | Div. | Yld. % |
|---|---|---|---|---|
| 37½ | 28⅞ | CBI Ind | 0.48 | 1.8 |
| 220½ | 182¼ | CBS Inc | 1.00 | 0.5 |
| 1⅞ | ⅛ | CCX Inc | | |
| ⅝ | ⅛ | CF Inc Uts | 0.18 | [illegible] |
| 22⅝ | 14⅞ | CMS Energy | 0.48 | 2.7 |
| 104½ | 78½ | CNA Finl | | |
| 51¼ | 39⅞ | CPC Intl | 1.20 | 2.8 |

Continued on next page

# NYSE COMPOSITE PRICES

Continued from previous page

| 1992 High | Low | Stock | Div. | Yld. % | P/E | Sls 100s | High | Low | Close Quote | Ch'ge Prev. Close |
|---|---|---|---|---|---|---|---|---|---|---|
| 46 | 34½ | ScottPaper | 0.80 | 2.2 | 74 | 1418 | 36⅞ | 35½ | 35⅝ | -½ |
| 17½ | 13½ | ScuddNAsP | 0.22 | 1.5 | | 20 | 14⅞ | 14¾ | 14⅞ | +⅛ |
| 9¾ | 7⅝ | ScuddNEuF | 0.30 | 3.8 | | 123 | 7⅞ | 7¾ | 7⅞ | |
| 24 | 13 | Sea Contrs | 0.45 | 3.1 | 6 | 36 | 14¾ | 14⅝ | 14⅝ | -⅛ |
| 15¾ | 14⅞ | SeaCl1.4625 | 1.46 | 9.4 | | 7 | 15⅝ | 15½ | 15½ | +⅛ |
| 31 | 25⅛ | Seagram Co | 0.56 | 2.1 | 14 | 1454 | 26½ | 26¼ | 26⅜ | -¼ |
| 33¾ | 21⅝ | Seagull En | | | 84 | 98 | 31⅛ | 31⅜ | 31⅞ | -⅜ |
| 28½ | 20½ | Sealed Air | | | 23 | 131 | 24½ | 24¾ | 24½ | +⅞ |
| 23 | 12⅛ | SPX Corp | 0.40 | 2.3 | 12 | 264 | 17⅛ | 16¾ | 17⅜ | +⅛ |
| 46 | 37 | Sears Roeb | 2.00 | 4.6 | 38 | 5984 | 43½ | 43⅛ | 43⅜ | +¼ |
| 13¾ | 11⅞ | Seligm Sel x | 0.86 | 6.9 | | 167 | 12⅝ | 12⅜ | 12⅜ | -⅛ |
| 32⅞ | 22½ | Sensormat | 0.30 | 1.0 | 26 | 1021 | 30¾ | 29⅞ | 30⅛ | -⅛ |
| 51 | 33¾ | Sequa A x | 0.80 | 1.8 | 25 | 42 | 34⅝ | d33¾ | 33⅞ | -1 |
| 58 | 35½ | Sequa B x | 0.60 | 1.4 | 19 | 63 | 36½ | d35¾ | 36 | -½ |
| 18¾ | 16¼ | ServiceCpl | 0.40 | 2.2 | 16 | 684 | 18⅛ | 18 | 18 | -⅛ |
| 29⅞ | 22 | Servicemtr | 1.19 | 4.3 | 10 | 76 | 28⅛ | 27¾ | 27¾ | -⅛ |
| 30½ | 17 | Shaw Ind | 0.30 | 1.0 | 28 | 960 | 29¼ | 28¾ | 29⅛ | +⅛ |
| 18¼ | 8⅞ | Shawmut Nt | 1.00 | 5.7 | 27 | 2895 | 17¾ | 17⅛ | 17⅝ | +½ |
| 10¼ | 6¾ | Shelby Wil | 0.24 | 2.5 | 43 | 11 | 9⅝ | 9⅝ | 9⅝ | |
| 58½ | 45⅝ | Shell Tr&T | 2.47 | 4.8 | 14 | 20 | 51⅞ | 51¾ | 51¾ | -⅛ |
| 32⅞ | 25¾ | Sherwin Wi | 0.44 | 1.4 | 18 | 618 | 31½ | 31⅛ | 31⅜ | -⅛ |
| 27¼ | 15¾ | Shoneys | | | 22 | 1326 | 25¾ | 25 | 25¾ | +¾ |
| 17 | 8¼ | Showboat x | 0.10 | 0.6 | 13 | 45 | 16 | 15⅞ | 15⅞ | |
| 24⅜ | 17⅞ | Sierra Pac | 1.12 | 5.6 | 11 | 222 | 20 | 19⅞ | 20 | |
| 24⅜ | 14 | SignalApp | | | 3 | 2 | 14¾ | 14¾ | 14⅞ | |
| 44⅞ | 21¾ | Signet Bnk | 1.20 | 2.8 | 45 | 600 | 43⅛ | 42⅞ | 43 | -⅛ |
| 29¾ | 14¼ | SiliconGr | | | 186 | 304 | 24¾ | 23⅝ | 24¼ | -⅞ |
| 12 | 9⅞ | Sizeler | 1.01 | 9.3 | 28 | 44 | 11⅛ | 10⅞ | 10⅞ | -⅛ |
| 15⅛ | 9 | Sizzler x | 0.16 | 1.5 | 14 | 555 | 10⅝ | 10⅜ | 10⅜ | -⅜ |
| 18⅞ | 14 | Skyline x | 0.48 | 2.8 | 33 | 137 | u18⅞ | 18⅜ | 18⅞ | +¼ |
| 4½ | 2⅞ | SL Inds | 0.08 | 1.7 | 32 | 18 | 3¾ | 3⅝ | 3⅝ | |

| 1992 High | Low | Stock | Div. | Yld. % | P/E | Sls 100s | High | Low | Close Quote |
|---|---|---|---|---|---|---|---|---|---|
| 25¼ | 19¼ | Texas Ind | 0.20 | 1.0 | 45 | 26 | 20⅞ | 20⅜ | 20⅞ |
| 52¼ | 30 | Texas Inst | 0.72 | 1.6 | 25 | 4724 | 46¾ | 45¼ | 46 |
| 23¼ | 16⅞ | Texas Pac | 0.40 | 2.2 | 30 | 18 | 18½ | 17⅞ | 18 |
| 43¾ | 37 | Texas Util x | 3.04 | 7.2 | 12 | 1465 | 42¼ | 42 | 42⅛ |
| 10¾ | 8⅛ | Textl Pf | 1.10 | 11.0 | | 7 | 9⅞ | 9⅞ | 10 |
| 8¼ | 4⅞ | Textl Inds | 1.10 | 15.7 | 4 | 3 | 6⅞ | 6⅞ | 7 |
| 43¾ | 35¾ | Textron x | 1.12 | 2.7 | 11 | 1375 | 41⅞ | 40⅝ | 41¼ |
| 6⅛ | 4⅛ | Thackeray | | | 27 | 40 | 4⅝ | 4⅜ | 4⅝ |
| 11½ | 7½ | Thai Cap | 0.25 | 2.4 | | 76 | 10¼ | 10⅛ | 10¼ |
| 19⅝ | 13¾ | Thai Fund | 2.72 | 14.5 | | 28 | 18¾ | 18⅝ | 18¾ |
| 47½ | 37½ | ThermoElec | 0.13 | 0.3 | 21 | 451 | 45 | 44⅜ | 45 |
| 17¼ | 13¾ | Thiokol | 0.40 | 2.4 | 6 | 463 | 16⅜ | 16½ | 16⅞ |
| 69 | 54¾ | Thoms & B x | 2.24 | 3.6 | 28 | 145 | 63⅛ | 62¼ | 62⅞ |
| 14⅛ | 8⅞ | Thomas Ind | 0.40 | 4.2 | 63 | 105 | 10 | 9½ | 9½ |
| 19½ | 13 | Thomson Ad | 1.20 | 7.0 | 7 | 34 | 16⅞ | 16¾ | 16¾ |
| 21 | 11⅞ | Tidewater | 0.15 | 0.8 | 63 | 1491 | 18½ | 18⅛ | 18½ |
| 62⅞ | 23 | Tiffany x | 0.28 | 1.0 | 22 | 1158 | 27⅞ | 26⅞ | 26⅞ |
| 52¾ | 45¼ | TimeWa8.75 z | 4.38 | 8.9 | | 289 | 49 | 48⅞ | 49 |
| 29¾ | 21⅞ | TimeWner | 0.28 | 1.0 | 18 | 4830 | 28½ | 28 | 28½ |
| 53⅝ | 45¼ | TimeWn11.0 | 1.10 | 2.1 | | 1378 | 53½ | 53⅛ | 53½ |
| 38¾ | 28½ | TimesMirr | 1.08 | 3.5 | 34 | 1525 | 30½ | 29⅝ | 30½ |
| 30½ | 23¾ | Timken | 1.00 | 3.8 | 24 | 170 | 26⅛ | 25¾ | 26⅛ |
| 4⅞ | 2⅝ | TitanCrp | | | 13 | 140 | 3½ | 3⅛ | 3¼ |
| 11¾ | 10 | Titan Pf | 1.00 | 8.8 | | 40 | 11⅛ | 11⅛ | 11⅜ |
| 6⅞ | 3½ | Todd Shp | | | 4 | 76 | 4 | 3⅞ | 3⅞ |
| 10¾ | 5½ | Tokheim Co | 0.56 | 7.7 | 0 | 185 | 7⅛ | 6⅞ | 7¼ |
| 29⅜ | 26½ | ToledE2.81 | 2.81 | 10.4 | | 18 | 27 | 26⅞ | 27 |
| 14 | 7⅛ | Toll Bros | | | 24 | 184 | 13¼ | 12⅞ | 12⅞ |
| 84½ | 69¾ | Tootsie Rl | 0.30 | 0.4 | 27 | 14 | 81¾ | 81 | 81⅛ |
| 54½ | 36 | Torchmark | 1.07 | 2.0 | 15 | 1444 | 53½ | 52⅝ | 52⅞ |
| 17½ | 11¾ | Toro Corp x | 0.48 | 2.8 | 9 | 54 | 16⅞ | 16⅛ | 16⅞ |

## - X - Y - Z -

| 1992 High | Low | Stock | Div. | Yld. % | P/E | Sls 100s | High | Low | Close Quote | Ch'ge Prev. Close |
|---|---|---|---|---|---|---|---|---|---|---|
| 55 | 50½ | Xerox4.125 | | | | 2 | 53¼ | 53¼ | 52 | -1¼ |
| 41½ | 24⅞ | Xtra 1.94 | 1.94 | 4.8 | | 22 | 40½ | 40⅜ | 40⅜ | -⅛ |
| 57⅝ | 28½ | Xtra Corp | 0.80 | 1.4 | 14 | 408 | 56½ | 55⅛ | 56⅛ | -½ |
| 30⅝ | 25¾ | Yankee Egy x | 1.56 | 5.9 | 13 | 312 | 28⅛ | 27¾ | 28⅛ | +½ |
| 1½ | ½ | Zapata | | | 43 | 35 | ⅞ | ⅞ | ⅞ | |
| 11¼ | 5 | ZenithElec | | | 2 | 205 | 6¼ | 6 | 6 | -⅛ |
| 19½ | 14½ | Zenith Nat | 1.00 | 5.6 | 8 | 70 | 18 | 17⅞ | 18 | +⅛ |
| 7½ | 6 | Zenix Inc | 0.82 | 12.4 | | 88 | 6⅝ | 6½ | 6⅝ | -⅛ |
| 13¾ | 10 | Zero Corp | 0.40 | 3.0 | 20 | 48 | 13⅝ | 13¼ | 13¼ | -⅛ |
| 38 | 27¾ | Zurn Ind x | 0.88 | 2.4 | 41 | 121 | 37⅛ | 36⅜ | 36⅜ | -½ |
| 14⅜ | 12 | Zweig Fund | 1.12 | 8.6 | | 201 | 13⅛ | 12⅞ | 13⅛ | +⅛ |
| 11 | 9½ | Zweig Totl x | 0.96 | 9.5 | | 717 | 10⅛ | 10 | 10⅛ | +⅛ |

*Price data supplied by Telekurs.*

Yearly highs and lows reflect the period from Jan 1, excluding the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

# AMEX COMPOSITE PRICES

3 pm December 15

| Stock | Div. | P/ E | Sls 100s | High | Low | Close | Chng |
|---|---|---|---|---|---|---|---|
| B&H Ocean | 0.55 | 1 | 26 | 2 5/16 | 2 5/16 | 2 5/16 | |
| BaldwnT A | 0.04 | 82 | 267 | 4½ | 4⅜ | 4⅜ | -⅛ |
| Barry RG | | 9 | 39 | 8⅝ | 8½ | 8½ | |
| BAT Ind | 0.71 | 17 | 845 | 15 3/16 | 14 15/16 | 15⅛ | +3/16 |
| Beard Oil | | 0 | 18 | ½ | d½ | ½ | |
| Bergen Br | 0.40 | 14 | 85 | 20⅝ | 20½ | 20½ | -⅛ |
| Blair Man | 1.00 | 44 | 21 | 23⅛ | 23¼ | 23⅛ | -⅛ |
| Bio-Rad A | | 5 | 17 | 17½ | 17¼ | 17½ | |
| Blount A x | 0.45 | 82 | 30 | 9⅞ | 9⅞ | 9⅞ | |
| Bolar Ph | | 40 | 401 | 8¾ | 8⅜ | 8½ | -⅛ |
| Bow Valley | | 2 | 23 | 7⅜ | 7⅜ | 7⅜ | |
| Bowmar | | 11 | 70 | 2 3/16 | 2⅛ | 2 3/16 | -1/16 |
| Bowne | 0.30 | 9 | 116 | 15⅛ | 14⅞ | 14⅞ | -⅛ |
| Brascan A | 0.67 | 26 | 33 | 11⅜ | 11¼ | 11⅜ | -¼ |
| Cal Engy | | 18 | 994 | u16⅝ | 16¼ | 16¼ | |
| Calprop | | 0 | 5 | 1⅛ | 1⅛ | 1⅛ | +⅛ |
| Can Marc | 0.23 | 8 | 2 | 10¼ | 10¼ | 10½ | +¼ |
| Chntrs A | 0.01 | 26 | 581 | 4 11/16 | 4⅝ | 4⅝ | -3/16 |
| Chambers | | 6 | 131 | 4¾ | 4⅝ | 4⅝ | -⅛ |
| Champion | | 64 | 1366 | u8⅜ | 8 | 8⅜ | +1⅛ |
| Essex Co | 0.46 | 8 | 34 | 10⅝ | 10½ | 10⅝ | +⅛ |
| Eastgroup | 1.52 | 27 | z100 | 18¾ | 18¾ | 18¾ | +⅛ |
| Echo Bay | 0.07 | 47 | 2037 | 4⅝ | 4⅜ | 4⅜ | +⅛ |
| Ecol En A x | 0.24 | 13 | 46 | 14⅜ | 14 | 14⅜ | +⅜ |
| Edisto | | 0 | 295 | ¼ | d¼ | ¼ | |
| Engy Serv | | 3 | 538 | 1⅛ | 1 1/16 | 1 1/16 | |
| Fab Inds x | 0.80 | 11 | 12 | 30 | 29⅝ | 30 | |
| Fina Inc A | 3.20 | 26 | 16 | 60¼ | 60¼ | 60¼ | -¼ |
| FstCityBnc | 0.20 | 9 | 16 | 8⅛ | 8⅛ | 8⅛ | |
| Fluke (J) | 0.52 | 14 | 63 | 31½ | 30⅞ | 31 | -⅜ |
| Forest La | | 32 | 1138 | 42⅞ | 40⅜ | 40⅞ | -1½ |
| Frequency | | 450 | 10 | 4½ | 4½ | 4½ | -⅛ |
| FruitLoom | | 20 | 1105 | 46¾ | 45½ | 45½ | -⅛ |
| Giant FdA | 0.68 | 19 | 760 | 22½ | 22 | 22⅜ | +⅛ |
| Glatfltr | 0.70 | 12 | 154 | 17⅞ | 17⅜ | 17⅜ | |
| Goldfield | | 8 | 92 | ⅝ | ⅝ | ⅝ | +1/16 |
| Greenman | | 7 | 6 | 4⅝ | 4⅝ | 4⅝ | |
| Gulf Cda | 0.94 | 4 | 261 | 3⅛ | 3 3/16 | 3 3/16 | -1/16 |
| Hasbro | 0.20 | 18 | 3263 | 33⅛ | 32⅜ | 32⅞ | -¼ |
| Health Ch | | 16 | 12 | 1 13/16 | 1⅞ | 1 13/16 | +1/16 |
| Kirby Exp | | 18 | 130 | 13 | 12¾ | 12⅞ | -¼ |
| Laburge | | 20 | 72 | 1 7/16 | 1⅜ | 1 7/16 | +1/16 |
| Laser Ind | | 29 | 147 | u8⅜ | 8⅛ | 8¼ | -⅛ |
| Lsr Pharm | | 4 | 87 | 1 3/16 | 1⅜ | 1⅜ | |
| Lionel Cp | | 0 | 374 | ⅜ | d¼ | ¼ | -1/16 |
| Lumex Inc | | 16 | 82 | 14⅞ | 14⅝ | 14⅞ | +⅛ |
| Lynch Cp | | 16 | 2 | 24 | 24 | 23⅞ | |
| Mater'lSc | | 11 | 447 | 14⅛ | 14 | 14½ | -⅛ |
| Maxxam | | 20 | 8 | 28 | 28 | 28 | |
| Media A | 0.44 | 24 | 42 | 18½ | 18¼ | 18½ | |
| Merit Co | | 2 | 20 | 5½ | 5¼ | 5¼ | -⅛ |
| Moog A | | 6 | 125 | 6⅛ | 5⅞ | 6 | +⅛ |
| MSR Expl | | 1 | 52 | 11/16 | 11/16 | 11/16 | -1/16 |
| Nat Patnt | | 10 | 79 | 2¼ | 2 3/16 | 2 3/16 | -1/16 |
| New Line | | 29 | 147 | 13⅛ | 13 | 13 | -⅛ |
| NY TimesA | 0.56 | 86 | 755 | 26⅜ | 26⅛ | 26⅞ | -⅛ |
| NthCanOil x | 0.17 | 49 | 8 | 9 | 8⅞ | 8⅞ | |
| Numac O&G | | 2 | 12 | 4⅝ | 4 11/16 | 4 11/16 | -1/16 |
| NV Ryan | | 0 | 57 | 5/16 | ½ | ½ | |
| Odetics A | | 78 | 52 | 6⅛ | 6⅛ | 6⅛ | -⅛ |
| Olsten | 0.32 | 31 | 192 | 38 | 37⅝ | 37⅞ | |
| Pegasus G | 0.10 | 31 | 968 | 14⅝ | 14½ | 14⅝ | -⅛ |
| Perini | 0.80 | 18 | 35 | 18¼ | 18 | 18¼ | +¼ |
| Pitt DM x | 1.14 | 10 | 68 | 15¾ | 15⅝ | 15⅝ | -⅛ |
| Phil LD x | 0.25 | 13 | 1952 | 33¼ | 32⅝ | 33⅛ | +¼ |
| Pittway A x | 1.10 | 17 | z100 | 33¾ | 33¾ | 33⅛ | |
| Ply Gem | 0.12 | 23 | 105 | 11⅞ | 11⅝ | 11¾ | -⅛ |
| Sterl El | 0.04 | 16 | 151 | 6½ | 6⅜ | 6⅜ | -⅛ |
| TII Ind | | 18 | 169 | 2 | 2 | 2 | -⅛ |
| Tab Prods | 0.40 | 39 | 7 | 12¼ | 12¼ | 12¼ | |
| Tel&Data x | 0.32 | 52 | 442 | 39⅜ | 39 | 39⅜ | +⅜ |
| Thermedics | | 136 | 168 | 12¼ | 12 | 12¼ | |
| Thermotex | | 31 | 285 | 33⅞ | 33¼ | 33⅞ | |
| Total Pet | 0.40 | 15 | 391 | 5¼ | 5 | 5¼ | +⅛ |
| TownCntry | | 0 | 308 | 2 1/16 | 2 | 2 1/16 | |
| Tubos Mex | | 6 | 433 | 5½ | 5⅜ | 5⅜ | -⅛ |
| UtdFoodsA | | 4 | 25 | 1 11/16 | 1 11/16 | 1 11/16 | -1/16 |
| UtdFoodsB | 0.20 | 5 | 20 | 2 1/16 | 2 | 2 | |
| UnivPtnts | | 48 | 32 | 10¾ | 10¾ | 10¾ | |
| US Cellul | | 91 | 8 | 21⅛ | 21⅛ | 21⅛ | -⅛ |
| WangLab C | | 0 | 4 | 1⅝ | 1⅝ | 1½ | +⅛ |
| WangLab B | | 0 | 1184 | 7/16 | ⅜ | 7/16 | +1/16 |
| Weatherfd | | 112 | 293 | 5⅝ | 5⅝ | 5⅝ | -⅛ |
| Westamer | 0.52 | 10 | 5 | 23⅛ | 23⅛ | 23⅛ | +⅛ |
| WIRET | 1.12 | 16 | 44 | 12⅝ | 12⅞ | 12⅝ | +⅛ |
| Worthen | 0.15 | 10 | 24 | 27 | 26¼ | 26¾ | -½ |
| Xytronix | | 6 | 266 | 7⅛ | 6⅞ | 7⅛ | -⅛ |



# NASDAQ NATIONAL MARKET

3 pm December 15

## - X - Y - Z -

| Stock | Div. | P/ E | Sls 100s | High | Low | Last | Chng |
|---|---|---|---|---|---|---|---|
| Xilinx | | 25 | 2348 | 23¾ | 22¼ | 22⅝ | -1⅛ |
| Xoma Corp | | 4 | 1488 | 11½ | 11 | 11 | -¼ |
| Yellow Fr | 0.94 | 21 | 207 | 28 | 27¼ | 28 | +¼ |
| York Rsch | | 6 | 298 | 6¾ | 6⅝ | 6 11/16 | -1/16 |
| ZionsUtah | 1.44 | 12 | 74 | 72 | 71¼ | 72 | +¼ |

AMERICA

# Dow resists pressure as IBM shares drop

### Wall Street

US share prices held their own yesterday in spite of some bad news from IBM, one of the market's biggest stocks, *writes Patrick Harverson in New York.*

By 1 pm the Dow Jones Industrial Average was down only 4.87 at 3,287.33, having spent the morning a few points below opening values. Had it not been for the big loss in IBM, the Dow would have been in positive territory. The more broadly based Standard & Poor's 500 was also little changed at the halfway mark, down 0.31 at 432.53.

*Secondary markets, however,* displayed less resilience, with the Amex composite slipping 1.96 to 390.60 and the Nasdaq composite, which has put in the best performance in recent months, giving up 4.72 at 650.01. Turnover on the NYSE was busy at 132m shares by 1 pm, and declines outpaced rises by 905 to 698.

The day's only economic news, a 0.3 per cent decline in *November business inventories*, came in as expected, and had little impact. This left investors to focus on technical and corporate factors.

The technical factor that dominated was the reluctance *among some investors to trade* heavily ahead of Friday's "triple-witching" expiration of stock, and stock-index futures and options, an occasion which typically creates considerable turbulence in the underlying cash equity markets.

The main corporate news of the day shook the market. IBM, traditionally the bellwether stock among US blue-chip companies, announced that it would cut 25,000 jobs in 1993 and take a $6bn charge in the current quarter. Although investors have long been aware of IBM's problems, and there was weakness in the shares last week, *this latest bout of restructuring* and downsizing cast a cloud over market sentiment, which has lately been relatively sunny.

IBM shares reacted to the news by dropping sharply. By the early afternoon the stock was trading at $57⅞, down $5, in turnover of 5.6m shares.

Other big technology stocks were dragged lower. Compaq gave up $⅛ at $42⅛, Hewlett-Packard fell $¾ to $65, Digital Equipment eased $⅛ to $33⅛ and Motorola fell $1⅛ to $100⅞.

The other big corporate news came from Boeing, which was expected yesterday to win about two-thirds of an order of more than $4bn for new jet aircraft from International Lease Finance. The good news about the order helped offset Monday's disappointing news that UAL, owner of United Airlines, was in talks with Boeing to reduce significantly its capital spending plans for new aircraft. In strong two-way trade, Boeing was unchanged at $34⅛.

Motors stocks were all notably weaker as the latest set of car sales figures began to stream in. Chrysler dropped $⅝ to $31¾, Ford eased $¾ to $41⅛ and General Motors fell $⅛ to $32⅞ amid growing concern *among investors that the* recent upturn in consumer sentiment has not fed through into higher auto sales.

### Canada

TORONTO was easier at midsession with sentiment discouraged by losses on Wall Street. The TSE-300 index declined 1.32 to 3,260.7 in volume of 36.4m shares valued at C$300m. Declines led advances by 309 to 195 with 317 issues unchanged.

American Barrick, up C$¼ at C$37⅞ and Placer Dome, up C$¼ at C$14⅞, were helped by firmer bullion prices.

# Madrid buoyed by a mood of optimism

## After months in the doldrums equities are enjoying a year-end rally, writes Peter Bruce

The Spanish have ways to make a market talk. Brow beaten for months by government deficit overruns, tax increases, a Moody's debt rating review, two peseta devaluations, rising unemployment and falling growth, the Madrid market has suddenly been energised by a financial community desperate to end the year as little out of pocket as possible.

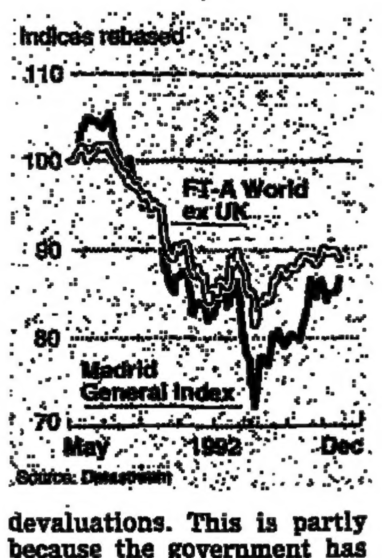
The Madrid general index may still be down 13 per cent on the year, but in the last few weeks it has come bounding back from the low 180s reached during the autumn currency crisis to finish at 215.31 yesterday.

Everyone is winning. Bank shares have risen most sharply, with the sectoral index advancing from 230.6 on October 2 to 272 on Monday. Likewise, electricity utilities have recovered by 40 to 213, and chemicals were up 35 points to 218. Even the battered construction sector had managed to creep up 8 to 288.

Construction was in trouble long before the equity market. The government owes builders about $8bn, the release of which it is delaying in order to dress up its 1992 fiscal performance. Madrid is also delaying contract awards, which will affect construction companies' 1993 figures. But the banks, the engine room of the Spanish economy, have bounced back in spite of the fact that they face record bad debts this year and next, as economic growth fades to a trickle.

The sector, however, has had some help. The Bank of Spain allowed banks, faced with potentially huge portfolio losses on government debt as the bond market fell in the autumn, to defer the effects and thus save their profit and loss accounts. Last week, the central bank cut its reserve requirement from 4.5 per cent to 3 per cent, which freed some $6bn of deposits previously trapped, interest free, with the authority.

The utilities are back in spite of the fact that many are heavily indebted in foreign currencies and will have been hurt by the peseta's two recent




devaluations. This is partly because the government has decided on big electricity tariff increases for domestic users next year and also hopes of an early fall in interest rates.

But is there good reason for that optimism? Possibly. Inflation will end the year under 5.5 per cent, well below the feared 6.5 per cent. All indirect tax increases planned for next year have been implemented this year. The central budget deficits, running nearly 70 per cent over target in the summer, are now under control and will end the year on target. Moody's, having shaken Madrid in October by announcing a review of Spain's debt rating, has just decided not to touch it.

There are sceptics. "Quite a lot of people would like the year to end more happily," says Mr Paul Farrow of brokers FG in Madrid. "So we find they are suddenly being a lot more positive about things they were recently being negative about despite the fact that nothing has really changed."

FG is not, in spite of the festive mood, changing its growth forecast of 0.5 per cent for next year and is advising clients to sell if the general index reaches 220. And with polls showing that the election Prime Minister Felipe Gonzalez has to hold by next October will most likely force him into a minority or a coalition government, with quite unknowable consequences, investors are going to tread lightly around Madrid.

That is evident even in the current boomlet. The Ibex 35 index, which covers the largest companies in the market, has risen by about 20 per cent since early October, outstripping the 15 per cent recovery in the general index. It means investors may simply be buying back into cheap, traditionally liquid stock such as banks and utilities.

Analysts do not think the *reserve requirement cut for* banks will feed through quickly into profits. In the current climate, it might not feed through at all. "It may mean the banks have more money to lend," says another broker. "But given the bad debt provisions they're already having to make they're probably better off being starved of money if they're going to lend it badly. We'll see. The reserve cut will only make a difference if they lend the new money well."

Given the current cheer in the market, not everyone in Madrid is as wary or exhausted as the last speaker. But Spain always deals with bad news by ignoring it and that has to be worth a few more points on the general index.

ASIA PACIFIC

# Hopes of discount rate cut lift Nikkei average

### Tokyo

REVIVED hopes of an imminent cut in the official discount rate spurred late afternoon buying, and the Nikkei average rose moderately on futures *linked demand and purchases* by pension funds, *writes Emiko Terazono in Tokyo.*

The 225-issue average gained 190.77 at 17,480.74 after a low of 17,220.56 and high of 17,554.86. The index remained sluggish through most of the day, but rose in the last few minutes of trading, recovering to 17,500, the 200-day moving average. But once again it failed to close over this technical resistance *level as last-minute* profit-taking depressed share prices.

Volume rose slightly to 200m shares from 150m. Arbitrageurs and public funds were the only prominent participants. Advances led declines by 564 to 382, with 181 issues unchanged. The Topix index of all first section stocks rose 9.55 to 1,325.90, and in London the ISE/Nikkei 50 index firmed 3.43 to 1,074.09.

*Market participants were* encouraged by rumours of a cut in the discount rate after the afternoon release of weak machinery orders for October. Private machinery orders fell 28.6 per cent from the previous month, reflecting a continuing slump in the economy. The announcement by the Osaka stock exchange that the Ministry of Finance was considering the implementation of a circuit breaker mechanism for the Nikkei futures index, traded in Osaka, also aided sentiment.

Hitachi Electronics, a broadcasting equipment maker affiliated to Hitachi, put on Y180 to Y1,380 on hopes of a US economic recovery and firm current year earnings. Sumitomo Chemical climbed Y19 to Y479 on reports that Sumitomo *Pharmaceuticals, its unlisted* subsidiary, will double current year pre-tax profits on sales of its interferon drug.

Yokohama Matsuzakaya, a department store, rose by its daily limit of Y80 to Y540 on rumours of a merger with another leading retailer. Oji Paper added Y7 at Y863 and Kanzaki Paper Y19 at Y653, also on merger rumours.

In Osaka, the OSE average *put on 31.98 to 18,894.40 in volume* of 21.1m shares. Nintendo, the video game maker, rose Y100 to Y11,100 on buying by investors encouraged by its firm earnings prospects.

### Roundup

WITH the exception of Hong Kong the region's markets were weaker yesterday.

**HONG KONG** rose in low *turnover, with comments by* President-elect Bill Clinton, that China might keep its Most Favoured Nation trading status with the US if it made progress in human rights, helping to boost sentiment. The Hang Seng index gained 48.08 at 5,315.81 in turnover of HK$2bn. HSBC rose HK$1 to HK$55.50.

**SEOUL** saw profit-taking as investors remained nervous ahead of this Friday's presidential elections. *Interest* remained in Kepco, the electricity generator, which rose Won300 to Won21,100. The composite index lost 1.02 to 650.21 in turnover of Won382.4bn.

**MANILA** fell afresh following the overnight drop of Philippine Long Distance Telephone in New York. The composite index shed 19.07 to 1,183.49 *as PLDT declined 40* pesos to 810 pesos. Combined turnover rose to 310m pesos from Monday's 197m.

**TAIWAN** lost further ground ahead of Saturday's parliamentary elections, the weighted index slipping 8.50 to 3,688.26 in turnover of T$7.2bn.

**KUALA LUMPUR** eased, with some speculative stocks continuing to fall on profit-taking. The composite index *lost 3.66 to 628.88. Multi-Purpose* Holdings dipped a further 6 cents to M$2.19 as there was still no news on its application for a gaming licence in south China. **SINGAPORE**'s Straits Times Industrial index fell 12.00 to 1,412.10 in volume of 72.6m shares.

**AUSTRALIA** weakened on profit-taking, with industrial issues suffering the day's worst falls. The All Ordinaries index *closed 2.9 lower at 1,509.6 in* turnover of A$284.8m. Mining stocks helped to support the market, with Western Mining rising 7 cents to A$4.38.

**NEW ZEALAND** was led lower by a steep fall in Fletcher Challenge of 9 cents to NZ$2.26 as investors were unimpressed by news that it was to merge its Canadian forest operations. The NZSE-40 index shed 11.12 to 1,520.98. *Telecom fell 4 cents to NZ$2.30* after stating that it would be cutting some of its tariffs.

EUROPE

# Petrofina dividend cut drags Brussels down

BOURSES reflected a mixture of moods and stimuli, *writes Our Markets Staff.*

**BRUSSELS** concentrated on Petrofina following the oil group's announcement after the market closed on Monday that it would cut its 1992 dividend by 50 per cent. The Bel-20 index lost 11.52 to 1,101.13 as Petrofina closed down BFr500, or 6.2 per cent at BFr7,490 but off the day's low of BFr7,260. The group warned that 1992 profits will be depressed and the forecast came at the lower end of analysts' expectations.

Petrofina's major shareholder, Electrafina, fell BFr120 to BFr2,070 and GBL, which controls Electrafina, lost BFr70 at BFr2,620.

**MILAN** fell again. Following the rebuff delivered to ruling parties in local elections on Sunday and Monday, there was news that Mr Bettino Craxi, leader of the Italian socialist party and a former prime minister, had been officially notified by Milan magistrates that he was being investigated as part of a continuing probe into city hall corruption.

*After a 2.2 per cent fall on* Monday the Comit index dropped another 9.27, or 2.2 per cent again, to 404.25. Mediobanca fell L710, or 5.9 per cent to L11,290 and Fiat by L225, or 5.8 per cent to L3,675 although, in line with the market, the carmaker recovered L80 to L3,755 on the kerb.

Monday's main losers, the banking privatisation candidates, did not emerge *unscathed yesterday. BCI fell* L149 to L4,001 and Credito Italiano by L44 to L2,601. Among other privatisation stocks, Finmeccanica was amongst the hardest hit, shedding over 9 per cent to close at L1,070.

**PARIS** was in a positive mood although late profit-taking eroded some of the day's gains. The CAC-40 index closed 6.53 ahead at 1,744.79, having seen an intraday high of 1,752.10. Turnover was estimated at some FFr2bn.

Accor improved well after forecasting a 15 per cent increase in group profit in 1993 and the shares rose FFr12 to FFr613. There was also strong activity among financials with some program buying noted. UAP gained FFr9.30 to FFr426.30, Paribas put on FFr9.80 to FFr338.80 and Société Générale advanced FFr13 to FFr573.

Total continued to lose ground following Monday's profits warning, falling a further FFr2.30 to FFr225.00 as Elf recovered FFr2.40 to FFr325.70.

Eurotunnel was just 25 centimes down on the day at FFr28.50 after TransManche Link said that talks between the two sides regarding cost overruns had reached a standstill.

**FRANKFURT** reacted after five straight days of losses, the DAX index ending 11.49 higher at 1,481.24, as dealers talked of short covering ahead of Friday's closure of DTB options and futures contracts. Volume stayed low at DM3.7bn, up from DM3.1bn. The insurance company, Allianz, closed DM24 higher at DM1,860, reflecting its attractions to DTB traders. In the car sector BMW rose DM5 to DM470, Daimler DM6.30 to DM513 and Volkswagen DM3.50 to DM244.50.

Elsewhere, the steel group Thyssen and Veba, the utility, rose DM2.80 to DM155.50 and DM2.60 to DM348.60 after government sources said that their consortium was expected to win approval to operate the new E-1 mobile phone network.

**ZURICH** continued to assert its independence of the Frankfurt bourse, the SMI index losing 10.2 to to 2,005.1.

**AMSTERDAM** retreated in low turnover as the CBS Tendency index closed 0.5 weaker at 103.5. ING was among the gainers, up 60 cents at Fl 53.00.

**STOCKHOLM** was pulled lower by Astra and Volvo as the Affärsvärlden index lost 9.6 to 879.1 in turnover of some SKr605m.

Astra, down SKr9 at SKr732, weakened after an analysts meeting on Monday while Volvo B shares lost SKr3 to SKr332 after Moody's downgraded the group's commercial paper ratings.

**ISTANBUL** gained some 2 per cent on rumours that the government was to approve new tax legislation affecting equity holdings. The 75-share index rose 78.49 to 3,901.94 in turnover of TL258.7bn.

### FT-SE Actuaries Share Indices

December 15 — THE EUROPEAN SERIES

| Hourly changes | Open | 10.30 | 11.00 | 12.00 | 13.00 | 14.00 | 15.00 | Close |
|---|---|---|---|---|---|---|---|---|
| FT-SE Eurotrack 100 | 1039.08 | 1041.15 | 1041.25 | 1040.77 | 1040.41 | 1038.16 | 1037.75 | 1038.14 |
| FT-SE Eurotrack 200 | 1115.24 | 1116.14 | 1117.24 | 1116.96 | 1116.61 | 1115.02 | 1114.50 | 1115.23 |

| | Dec 14 | Dec 11 | Dec 10 | Dec 9 | Dec 8 |
|---|---|---|---|---|---|
| FT-SE Eurotrack 100 | 1041.18 | 1044.03 | 1049.63 | 1054.06 | 1051.12 |
| FT-SE Eurotrack 200 | 1116.33 | 1117.72 | 1123.58 | 1133.46 | 1135.64 |

Base value 1000 (26/10/90) High/day: 100 - 1041.83 200 - 1117.79 Low/day: 100 - 1037.25 200 - 1113.80

### SOUTH AFRICA

**JOHANNESBURG** ended mixed in lacklustre trading ahead of today's public holiday. The industrial index lost early gains to close 16 down at 4,314 *as the overall index fell 8* to 3,235. The gold index slipped 1 to 832.



## FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

| NATIONAL AND REGIONAL MARKETS | MONDAY DECEMBER 14 1992 | | | | | | | | FRIDAY DECEMBER 11 1992 | | | | | DOLLAR INDEX | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Figures in parentheses show number of lines of stock | US Dollar Index | Day's Change % | Pound Sterling Index | Yen Index | DM Index | Local Currency Index | Local % chg on day | Gross Div. Yield | US Dollar Index | Pound Sterling Index | Yen Index | DM Index | Local Currency Index | 1992 High | 1992 Low | Year ago (approx) |
| Australia (68) | 121.86 | +0.5 | 115.44 | 95.24 | 99.34 | 118.09 | +1.1 | 4.12 | 121.19 | 115.29 | 94.84 | 99.33 | 116.78 | 153.88 | 108.18 | 149.80 |
| Austria (19) | 139.20 | +1.1 | 131.87 | 108.80 | 113.48 | 113.73 | +0.8 | 2.49 | 137.63 | 130.93 | 107.71 | 112.81 | 112.86 | 186.70 | 137.63 | 162.38 |
| Belgium (42) | 135.77 | +0.4 | 128.62 | 106.11 | 110.69 | 108.32 | 0.1 | 5.69 | 135.24 | 128.65 | 105.82 | 110.84 | 108.39 | 152.27 | 134.08 | 136.66 |
| Canada (113) | 113.20 | -0.2 | 107.24 | 88.47 | 92.27 | 104.47 | -0.3 | 3.24 | 113.37 | 107.85 | 88.72 | 92.92 | 104.79 | 142.12 | 111.36 | 131.78 |
| Denmark (34) | 203.14 | +2.0 | 192.44 | 158.78 | 165.60 | 166.88 | +0.2 | 1.64 | 199.21 | 189.51 | 155.90 | 163.28 | 166.50 | 273.94 | 181.70 | 255.66 |
| Finland (15) | 74.11 | +0.2 | 70.20 | 57.92 | 60.41 | 79.08 | -0.2 | 1.78 | 73.92 | 70.32 | 57.85 | 60.59 | 79.21 | 89.80 | 52.84 | 74.44 |
| France (99) | 143.96 | -0.2 | 136.38 | 112.51 | 117.35 | 120.76 | -1.0 | 3.73 | 144.31 | 137.28 | 112.93 | 118.27 | 121.98 | 168.75 | 136.93 | 139.53 |
| Germany (64) | 102.75 | +0.1 | 97.34 | 80.32 | 83.76 | 83.76 | -0.4 | 2.71 | 102.66 | 97.66 | 80.35 | 84.14 | 84.14 | 129.69 | 102.51 | 110.99 |
| Hong Kong (53) | 211.26 | +0.6 | 200.14 | 165.12 | 172.23 | 209.98 | +0.6 | 4.29 | 209.93 | 199.71 | 164.28 | 172.07 | 208.69 | 262.28 | 178.36 | 171.56 |
| Ireland (16) | 134.32 | +1.6 | 127.25 | 104.99 | 109.50 | 112.16 | +0.1 | 4.88 | 132.17 | 125.74 | 103.44 | 108.33 | 111.99 | 173.71 | 122.98 | 162.15 |
| Italy (77) | 52.89 | -2.3 | 50.11 | 41.34 | 43.12 | 55.01 | -2.3 | 3.78 | 54.11 | 51.48 | 42.34 | 44.35 | 56.30 | 80.86 | 47.47 | 71.39 |
| Japan (472) | 106.65 | -0.6 | 101.03 | 83.36 | 86.95 | 83.36 | 0.7 | 1.01 | 107.29 | 102.06 | 83.96 | 87.95 | 83.96 | 140.95 | 87.27 | 132.55 |
| Malaysia (69) | 264.36 | -1.5 | 250.44 | 206.62 | 215.50 | 260.39 | 0.9 | 2.55 | 268.32 | 255.25 | 209.97 | 219.91 | 262.69 | 282.42 | 212.49 | 208.53 |
| Mexico (18) | 1615.95 | -0.4 | 1530.96 | 1263.05 | 1317.22 | 5506.22 | -0.3 | 1.09 | 1622.88 | 1543.83 | 1270.00 | 1330.14 | 5521.84 | 1789.77 | 1185.84 | 1271.01 |
| Netherland (25) | 155.14 | +0.4 | 146.97 | 121.26 | 126.47 | 124.91 | -0.2 | 4.55 | 154.55 | 147.02 | 120.94 | 126.67 | 125.10 | 169.70 | 147.88 | 146.81 |
| New Zealand (13) | 42.22 | +0.0 | 40.00 | 33.00 | 34.42 | 43.36 | -0.2 | 5.13 | 42.24 | 40.19 | 33.06 | 34.62 | 43.39 | 48.52 | 37.39 | 45.62 |
| Norway (22) | 143.11 | -1.9 | 135.57 | 111.86 | 116.66 | 131.31 | 2.7 | 1.84 | 145.88 | 138.77 | 114.16 | 119.57 | 134.94 | 192.95 | 128.06 | 174.60 |
| Singapore (38) | 203.60 | +0.8 | 192.88 | 159.14 | 165.97 | 153.69 | -0.8 | 2.15 | 201.93 | 192.10 | 158.03 | 165.51 | 152.43 | 229.63 | 179.65 | 210.06 |
| South Africa (60) | 148.84 | -1.7 | 141.00 | 116.33 | 121.33 | 156.80 | +0.0 | 3.26 | 151.47 | 144.09 | 118.53 | 124.14 | 156.77 | 263.60 | 134.21 | 248.62 |
| Spain (48) | 120.41 | +2.4 | 114.07 | 94.12 | 98.16 | 101.94 | +1.4 | 5.91 | 117.64 | 111.91 | 92.06 | 96.42 | 100.49 | 161.72 | 107.10 | 145.78 |
| Sweden (31) | 167.55 | +0.7 | 158.73 | 130.96 | 136.59 | 167.49 | -0.3 | 2.34 | 166.32 | 158.22 | 130.18 | 136.33 | 167.06 | 200.28 | 149.69 | 168.44 |
| Switzerland (60) | 113.48 | +0.8 | 107.50 | 88.70 | 92.52 | 99.06 | -1.0 | 2.16 | 112.60 | 107.11 | 88.12 | 92.30 | 98.08 | 122.37 | 95.98 | 95.41 |
| United Kingdom (227) | 169.87 | +0.6 | 160.93 | 132.76 | 138.47 | 160.93 | +0.2 | 4.59 | 168.82 | 160.59 | 132.10 | 138.35 | 160.59 | 200.07 | 161.86 | 177.17 |
| USA (522) | 176.75 | -0.2 | 167.45 | 138.16 | 144.10 | 176.75 | 0.2 | 2.89 | 177.05 | 168.42 | 138.56 | 145.12 | 177.05 | 178.34 | 160.92 | 156.63 |
| Europe (779) | 135.05 | +0.4 | 127.94 | 105.56 | 110.10 | 119.79 | -0.1 | 3.94 | 134.53 | 127.98 | 105.28 | 110.27 | 119.88 | 156.88 | 131.31 | 140.13 |
| Nordic (102) | 153.88 | +0.9 | 145.78 | 120.27 | 125.44 | 138.48 | -0.0 | 2.08 | 152.53 | 145.10 | 119.36 | 125.01 | 138.47 | 188.52 | 141.24 | 174.32 |
| Pacific Basin (713) | 110.76 | -0.5 | 104.92 | 86.57 | 90.29 | 89.44 | 0.6 | 1.36 | 111.30 | 105.88 | 87.10 | 91.23 | 88.94 | 141.97 | 93.70 | 133.88 |
| Euro - Pacific (1492) | 120.58 | -0.1 | 114.23 | 94.24 | 98.30 | 101.08 | 0.3 | 2.53 | 120.70 | 114.82 | 94.45 | 98.92 | 101.42 | 145.21 | 113.80 | 136.70 |
| North America (635) | 172.82 | -0.2 | 163.72 | 135.09 | 140.91 | 171.86 | 0.2 | 2.90 | 173.10 | 164.67 | 135.48 | 141.90 | 172.15 | 174.38 | 158.70 | 155.03 |
| Europe Ex. UK (552) | 114.21 | +0.2 | 108.19 | 89.28 | 93.12 | 97.46 | 0.3 | 3.47 | 113.96 | 108.41 | 89.20 | 93.43 | 97.73 | 132.98 | 111.33 | 118.09 |
| Pacific Ex. Japan (241) | 151.09 | +0.3 | 143.14 | 118.11 | 123.18 | 139.54 | +0.6 | 3.81 | 150.70 | 143.36 | 117.95 | 123.53 | 138.77 | 175.31 | 146.06 | 146.98 |
| World Ex. US (1683) | 121.57 | -0.1 | 115.17 | 95.03 | 99.11 | 103.11 | 0.3 | 2.55 | 121.72 | 115.79 | 95.26 | 99.77 | 103.45 | 146.91 | 115.99 | 138.42 |
| World Ex. UK (1978) | 136.32 | -0.2 | 129.14 | 106.56 | 111.14 | 122.24 | 0.3 | 2.47 | 136.63 | 129.98 | 106.93 | 112.00 | 122.63 | 150.58 | 127.21 | 140.32 |
| World Ex. So. Af. (2145) | 139.28 | -0.1 | 131.95 | 108.87 | 113.55 | 125.37 | 0.3 | 2.69 | 139.46 | 132.67 | 109.15 | 114.31 | 125.70 | 153.05 | 130.04 | 142.83 |
| World Ex. Japan (1733) | 157.76 | +0.0 | 149.46 | 123.32 | 128.63 | 150.28 | 0.1 | 3.28 | 157.73 | 150.05 | 123.45 | 129.30 | 150.43 | 165.40 | 151.93 | 150.70 |
| The World Index (2205) | 139.24 | -0.1 | 131.90 | 108.83 | 113.51 | 125.68 | -0.3 | 2.69 | 139.43 | 132.64 | 109.12 | 114.29 | 126.01 | 153.70 | 130.66 | 143.53 |



**CONSTITUENT CHANGES:** At the recent quarterly panel meeting of the FT-Actuaries World Indices, it was decided to make the following constituent changes with effect from *January 1 1993* ***Additions:*** *South China Morning Post, Citic Pacific (both Hong Kong) and Incentive A (Sweden).* **Deletions:** Bang & Olufsen B (Denmark), Fag Kugelfisher (Ord. & Pref.) (Germany), Magneti Marelli Savings (Italy), Anaya Ediciones (Spain), Custos B Free (Sweden) and Baloise Part. Certs., Magazine Globus Part. Certs., Schindler Bearer, Soc. Intl Pirelli Part. Certs. (all Switzerland). **Classification changes to existing constituents:** Pinault (France) from Diversified Consumer Goods/Services to Retail-Department Stores and World Intl. (Hong Kong) from Diversified Holding Companies to Retail-Miscellaneous/Specialty. **Finland & Sweden:** Further constituent changes will be required in January 1993 if government approval is given to remove all foreign share ownership restrictions. Latest prices were unavailable for this edition